

STATE DOCUMENTS

STATE OF MONTANA

EASTERN MONTANA COLLEGE

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1974



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
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Commissioner of Higher Education	*	*

* The Commissioner of Higher Education did not reply directly to this report, but advised us that his comments with respect to the audit report on the University of Montana (June, 1975) also pertain to the issues raised in this report. The Commissioner's comments are included in the published audit report on the University of Montana.

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

Thomas L. Judge, Governor*

Dolores Colburg, Superintendent of Public Instruction*

Lawrence K. Pettit, Ph.D., Commissioner of Higher Education, Secretary

Sid Thomas, Student Representative	Bozeman	1976
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Lewy Evans, Jr.	Billings	1976
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T. T. Heberly	Havre	1977
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Mary Pace, Vice Chairman	Bozeman	1978
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Ted James, Chairman	Great Falls	1979
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Jeffrey Morrison	Helena	1980
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John Peterson	Butte	1982
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* Ex officio members

EASTERN MONTANA COLLEGE

LOCAL EXECUTIVE BOARD

Vera Gerke, Chairman	April, 1975
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James E. Edwards	April, 1976
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John C. Sheehy	April, 1977
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ADMINISTRATION

Stanley J. Heywood, Ph.D.	President
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Kenneth W. Heikes	Business Manager
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SUMMARY OF RECOMMENDATIONS

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Utilize the investment services of the Board of Investments.	8
Require all payments received on behalf of the college, especially for student housing, be made directly to the business office whenever practicable.	10
Discontinue the practice of cashing employee checks except at the business office.	10
Require departments receiving cash items to place restrictive endorsements on all checks received and make timely cash deposits.	10
Work with the Department of Administration to devise a system for depositing all money on hand into the state treasury and make deposits on a timely basis thereafter.	11
Determine the proper use of administrative charges for deferred fees.	13
Centralize the accounting for accounts receivable at the business office.	14
Seek the aid of the Department of Revenue's collection service for delinquent accounts receivable.	14
Work with the Department of Administration and the Central Payroll Division to develop a payroll system which will better meet the college's needs.	15
Report fee waivers as revenue and expenditures in the financial statements.	17
Maintain accurate records of fee waivers.	17
Devise an inventory system to control supplies at the physical plant and report the inventory value in the financial statements.	17
Establish adequate plant, property and equipment records.	19
Recognize federal reimbursements in the budgetary process.	20
Report direct cost reimbursements as restricted income in the current fund and report indirect cost reimbursements as unrestricted income.	20
Put all employment of students with financial aid under the control of the financial aid office.	24

SUMMARY OF RECOMMENDATIONS (Continued)

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Require students with athletic scholarships to use the same procedure for deferring fees as other students on campus.	24
Improve documentation of work performed by students with athletic scholarships.	24
Comply with the provisions of Section 75-8503, R.C.M. 1947, by:	
1. Spending student building fees for the construction of revenue-producing facilities only, and	27
2. Seeking legislative approval for all other expenditures of student building fees.	28
Deposit all investment income from bond service account moneys to the proper account.	28
Revise its reporting practices in accordance with generally accepted reporting standards.	31
Maintain its accounting records using the accrual basis of accounting.	31
Include notes to the financial statements explaining differences between the college's published financial statements and those reported on by its independent accountants.	31



STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Eastern Montana College as of June 30, 1974, and the related statements of operation listed in the table of contents of this report for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as indicated in the following paragraphs. We did not examine the assets, liabilities or operations of the bookstore, food service or housing income facilities; the assets or liabilities of the physical education building; bonds payable as reported in Investments in Plant; the assets, liabilities, additions to or deductions from Plant Funds held for Retirement of Indebtedness; the operation of the Special Services Project, the Upward Bound, Teacher Corps, or National Direct Student Loan (NDSL), College Work Study, or Supplemental Educational Opportunity Grants Programs. These programs and funds were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the above mentioned projects and programs, is based solely upon the reports of the other auditors.


The other auditors were unable to express an opinion on the balances and transactions relating to the college's National Direct Student Loan program. A private contractor in Chicago provided the accounting services for the college's NDSL loans, and a third party review of the internal controls at the private contractor's center has not been made. Accordingly, there is no assurance that the accounting for the NDSL program is complete and accurate.

The condition of the college's accounting records relating to investment in plant, including equipment, land and buildings and construction in progress, was such that we were unable to carry out certain auditing tests and procedures which we deemed necessary to comply with generally accepted auditing standards. Adjustments are not made to asset accounts to reflect losses, trade-ins, dispositions or retirements of fixed assets. Donated assets are not reflected in the property records, and a physical inventory of fixed assets has not been taken for many years. The total amount of the omissions and errors resulting from these inadequate procedures cannot practicably be determined by us. Accordingly, we do not express an opinion as to investment in plant asset balances or the Statement of Change in Fund Balance for Net Investment in Plant.

The college accounts for and reports on Student Aid, Education and General Restricted Other Sponsored Programs, and Other Self Supporting Programs using the cash basis method of accounting. Accounts payable, accounts receivable, and deferred revenues were, therefore, not recorded for these programs. This practice is at variance with generally accepted accounting principles. Additional reporting deficiencies are described on page 29 of the accompanying report.

In our opinion, except for the matters described in the preceding paragraphs, the aforementioned financial statements present fairly the financial position of Eastern Montana College at June 30, 1974, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

A handwritten signature in dark ink, reading "Morris L. Brusett". The signature is written in a cursive style with a prominent "M" and a stylized "B".

Morris L. Brusett, C.P.A.
Legislative Auditor

January 17, 1975

COMMENTS

GENERAL

In 1927 the Legislative Assembly provided for the organization of the Eastern Montana State Normal School at Billings. Its name was changed in 1949 to Eastern Montana College of Education, and in 1965 to Eastern Montana College. The college is one of the six units of the Montana University System.

Under the Constitution and laws of Montana, general control of the university system is vested with the Board of Regents of Higher Education. Day-to-day operations are directed by the college president.

Eastern has been given authority to grant a Bachelor of Science in Education degree, a baccalaureate degree in secondary education, and a Master's degree in elementary education. In addition, the college is authorized to confer liberal arts degrees, Bachelor of Arts and Bachelor of Science in biology, chemistry, English, general business, history, mathematics, psychology, art, music, German, speech communication and theatre arts, Spanish, rehabilitation and related services, and a Master of Science in rehabilitation counseling. The college also has authority to award Associate of Arts and Associate of Science degrees.

The college is financed primarily by tax moneys appropriated by the legislature, by student fees, and the college supports various auxiliary enterprises, such as the bookstore and residence halls. During fiscal year 1973-74, the college received its current fund revenue from the following sources:

<u>Source of Revenue</u>	<u>Amount</u>	<u>Percent</u>
General Fund	\$2,551,529	37%
Millage	723,279	10%
Student Fees	1,250,953	18%
Sales and Services	841,682	12%
Governmental Grants and Contracts	840,046	12%
Rental Income	360,054	5%
Other	400,814	6%
Total	<u>\$6,968,357</u>	<u>100%</u>

CONSTITUTIONAL STATUS

Throughout our examination of the various units of the university system the question of university autonomy has arisen. Basically, the question of autonomy pertains to the extent to which the units of the university system are subject to the actions of the legislative assembly. This topic has been discussed in recent legislative audit reports (Western Montana College, November, 1974; Montana College of Mineral Science and Technology, November, 1974; and the University of Montana. June, 1975). Comments made in those reports are also applicable to Eastern Montana College.

Regarding the question of autonomy, the Attorney General issued an opinion dated January 31, 1975, in which he held that statutes related to 1) the investment of state moneys, 2) employee benefits and vacation leave (except for school teachers), 3) deposit of moneys, and 4) line-item appropriations and conditions are applicable to the Board of Regents and the separate units of the university system. (See Appendix I). Therefore, in this report we have described instances noted where the college is not in compliance with relevant laws.

COLLEGE ACCOUNTING AND THE STATEWIDE BUDGETING AND ACCOUNTING SYSTEM

The Department of Administration has developed the Statewide Budgeting and Accounting System (SBAS) which is presently the required accounting system for all state agencies except the university system. Due to the variety of funding sources available to universities and outside limitations imposed on the use of some funds, present accounting needs of universities vary somewhat from the needs of other governmental organizations. The American Council on Education (ACE) has recommended a fund accounting system for colleges and universities, College and University Business Administration, 1974, referred to as "CUBA." This system

incorporates recommendations of the American Institute of Certified Public Accountants (AICPA) and the Joint Accounting Group (JAG). Many colleges and universities have implemented the system recommended by the ACE and near universal use of its system is anticipated.

SBAS does not provide the accounting needs of the college. Consequently, the college maintains a complete accounting system that duplicates much of the accounting performed by SBAS. The accounting system used by the college was intended to conform with the fund accounting system used by ACE. However, the college's accounting system fails to conform with these generally accepted standards in several respects. For example, expenditures are accounted for by object rather than by program; the accounting for most funds is on the cash basis rather than the accrual basis; and costs for administrative services, such as book-keeping and janitorial services, are not allocated to all programs using the services.

House Bill No. 271, enacted by the 1975 legislature, provides that:

"By July 1, 1976, all assets, liabilities, balances, receipts and expenditures of each university unit shall be accounted for in a uniform manner under a centralized accounting system which shall be totally consistent with the requirements and guidelines of the 'Industry Audit Guide, Audits of Colleges and Universities' of the American Institute of Certified Public Accountants and 'College and University Business Administration' prepared by the National Association of College and University Business Officers."

The bill also specified that it is intended that duplication of existing accounting systems not occur. To achieve their intent, the legislature has requested that the Department of Administration and Budget Director assist the Board of Regents in developing and implementing the centralized system.

Compliance with this section of the law will provide an accounting system that will meet the needs of the college.

INVESTMENT OF COLLEGE MONEYS

Article VIII, Section 13, of the Montana Constitution stipulates that the legislature shall provide for a unified investment program for public funds. Article X, Section 10, provides that the various funds of the Montana university system shall be invested under such regulations as may be provided by law. Section 82A-204, R.C.M. 1947, provides that the Board of Investments has the sole authority to invest state funds and that no other agency may invest state funds.

In 36, Opinions of the Attorney General, No. 2, dated January 31, 1975, the Attorney General has held that the provisions of Sections 79-308 and 82A-204, R.C.M. 1947, are applicable to the Board of Regents of Higher Education and the separate units of the Montana university system. The full text of the applicable attorney general's opinion is included as Appendix I of this report.

The college carried out its own investment program during fiscal year 1973-74. As of June 30, 1974, the college held investments totaling approximately \$1,316,000. Most of the \$1,316,000 was invested in certificates of deposit at a local bank. In addition, bond trustees held approximately \$668,000 in investments. About \$85,000 of the funds held by the bond trustees was above the amount required by the indenture.

Moneys accumulated by the college which exceed indenture requirements should be invested by the Board of Investments.

By utilizing the Board of Investments' short-term investment pool (STIP), the college can increase its investment earnings. In order to obtain higher interest rates, the college usually purchases \$100,000 certificates of deposit which mature in 30, 60, or 90 days. To do this, the college accumulates uninvested cash for several days. Then a certificate with a specific maturity date is purchased. A penalty is charged when one of these certificates is cashed before the maturity date. In one instance, the college had an immediate need for cash, and

to obtain it, college officials cashed a \$100,000 certificate of deposit approximately two weeks after they had purchased it. The college was not paid interest on the investment. On the same date the college officials requested and received their deposits in STIP. Interest was paid through that date.

By utilizing STIP, the college can invest in approximately \$1,000 increments and can leave the money invested until the day it is needed. Because STIP invests most available state moneys, it has the volume to obtain excellent returns.

On July 9, 1973, the Board of Regents authorized the units of the Montana university system to invest non-treasury funds with the Board of Investments. They further stated that this procedure would establish uniform investment practices throughout the system and utilize the expertise available to them. Montana State University has benefited from the services available to them from the Board of Investments. Since one unit of the university system is utilizing the STIP effectively, we believe that the other units could easily comply with the Attorney General's opinion and benefit from the STIP expertise.

RECOMMENDATION

We recommend that the college utilize the investment services of the Board of Investments.

CASH

The college collects money from several sources and locations on campus. The following areas where procedural weaknesses occur warrant changes.

Control Over Cash

The various employees who make cash collections on campus deposit their money with the cashier at the business office and receive a

receipt from the cashier. Business office cash is then deposited daily into a local bank account. Most of the departments on campus deposit their receipts daily with the cashier. However, we noted three collection sources from which deposits are not made daily nor made intact.

Cash from student union operations is not deposited until the day following receipt and, in some instances, it is not deposited intact. The student union has a change fund which at the time of our tests was \$235 over the amount authorized by the business office. In addition, three employee personal checks were held, which in effect constituted a loan to that employee from the change fund. None of the three checks was restrictively endorsed.

The student housing department does not deposit daily. At times several thousand dollars are held in the housing department before a deposit is made. In addition, one employee does the billing, receipting, and makes the deposits of housing moneys, which include food service receipts. During fiscal year 1973-74, the housing department collected approximately \$650,000. Receipts of this significance should be receipted by the business office cashier and segregated completely from the housing employee who prepares the billings.

The college has an audio-visual department which purchases and sells audio-visual supplies. At the time of our tests the department had about \$100 on hand, for which the business office had established no accountability. This cash fund included checks which were nearly two months old and which were not restrictively endorsed. The fund also included cash received for sales of audio-visual supplies. In addition to these weaknesses, receipts are not consistently given for cash sales, and when they are, receipts are not prenumbered.

RECOMMENDATION

We recommend that the college:

- 1. Require all payments received on behalf of the college, especially for student housing, be made directly to the business office whenever practicable.*
- 2. Discontinue the practice of cashing employee checks except at the business office.*
- 3. Require departments receiving cash items to place restrictive endorsements on all checks received and make timely cash deposits.*

Deposit of Moneys

In our fiscal year 1969-70 audit of college records, we recommended that:

1. The state controller review the nature of the moneys held by Eastern and prescribe the state treasury funds in which these moneys are to be deposited.
2. Eastern transfer the college's bank account balances to the appropriate funds in the state treasury, as prescribed by the state controller and deposit future receipts therein.

The provisions of Section 79-306, R.C.M. 1947, provide that every state agency and institution is required to deposit daily all moneys, credits, evidences of indebtedness, and securities either in financial institutions designated by the state treasurer or with the state treasurer. The Attorney General has ruled (Appendix I) that the Board of Regents and the separate units of the Montana university system are required to comply with the cited provision of Montana statutes. The full text of the applicable Attorney General's opinion is included as Appendix I of this report.

House Bill No. 271, enacted by the 1975 legislature, provides that all moneys collected or received by the university system units from any source whatsoever, including federal grants for research and operations, and any moneys received from a foundation, shall be deposited in the state treasury pursuant to the provisions of Title 79, R.C.M. 1947. House Bill No. 271 also stipulates that expenditures of appropriations are contingent upon the Board of Regents certifying to the Budget Director that the university units have complied completely with the provisions of the bill. Consequently, the college is required to deposit moneys which it receives in the state treasury.

At June 30, 1974, five college checking accounts had a combined balance in excess of \$260,000. None of these were authorized by the Department of Administration as required by law.

RECOMMENDATION

We recommend that the college work with the Department of Administration to devise a system for depositing all money on hand into the state treasury and make deposits on a timely basis thereafter.

Deferred Student Fees

In September 1972, the Board of Regents passed board item 3-004-R1273 establishing a policy allowing the university units to defer the payment of student fees. The policy is intended to allow students to pay their fees over an extended period rather than all at once, as was previously the custom. The policy stipulates that (a) at least one-third ($1/3$) of the total fee is to be paid at the time of enrollment, (b) another one-third ($1/3$) is to be paid within 30 days, and (c) the final one-third ($1/3$) is to be paid within 60 days of enrollment.

The Board of Regents policy also states that "an administrative charge shall be levied in an amount of \$5 per quarter." The college has been assessing the charge in accordance with the board item, but the moneys generated have not been transferred to the state treasury. Although the student fees themselves are deposited in the state treasury, the associated service charges are not. Instead, the money derived from the service charges is held in a local bank account. Since the money from these service charges is derived from student fees, it should also be transferred to the student fee account in the state treasury and expended through legislative appropriation.

The college has been using the revenue from deferred fee service charges to offset uncollectible student fees. During fiscal year 1973-74, the college wrote off \$2,872 of student fees by this method. The deferred fee service charge is revenue and should be recognized as such by the college. Bad debt expense should be recognized for amounts written off as uncollectible.

The Board of Regents' intended use of the administrative charge is not clear. College officials should seek clarification from the regents

as to whether the administrative charge is designed to reimburse the business office for expenses incurred in administering the deferred payment plan, or whether the fee is intended to be used to offset bad debts.

RECOMMENDATION

We recommend that the college determine the proper use of administrative charges for deferred fees.

Accounts Receivable

The accounts receivable recording, billing, and collection processes are decentralized among the various college departments and are without adequate controls. Accounts receivable are not always reported to the business office, and consequently are not reflected in the college's financial statements. On June 30, 1974, accounts receivable for six areas totaling \$17,195 were not reported to the business office, including accounts receivable for housing of \$12,918. These accounts have not been aged and the housing department does not know how old the receivables are. We noted one receivable for a student who had not lived in the dormitory for eleven years.

Section 84-7101, R.C.M. 1947, provides for the Department of Revenue to perform collection services of all debts owing to the State of Montana. The accounts receivable should be recorded on the business office records and periodically reviewed. Upon evaluation, the business office should seek the aid of the Department of Revenue for collecting old receivables.

RECOMMENDATION

We recommend that the college:

- 1. Centralize the accounting for accounts receivable at the business office.*
- 2. Seek the aid of the Department of Revenue's collection service for delinquent accounts receivable.*

PAYROLL

The college is currently not under the state central payroll system. The present central payroll system cannot accommodate the college's payroll needs. Under its present system, college personnel prepare the warrant source cards with the aid of the college's computer. The source cards are sent to the Department of Administration, the payroll is prepared in Helena, and the warrants are returned to the college for distribution. The time spent in transporting the payroll to and from Helena has created problems in getting payroll warrants to college employees within a reasonable time.

Additionally, the college utilizes its contingent revolving account to cover local payroll until it receives a warrant for reimbursement from the state treasury. This is not an authorized use of the contingent revolving account as prescribed in Section 79-602, R.C.M. 1947.

There is a certain amount of duplication of effort in the present method of preparing the payroll because the college could directly prepare the warrants instead of the source cards. The payroll for many of the college's employees who are paid from auxiliary enterprise or student aid funds is now prepared in this manner.

The college presently has the computer capability to prepare its payroll, and the accounting controls over payroll transactions appear adequate to provide for payroll preparation.

RECOMMENDATION

We recommend that the college work with the Department of Administration and the Central Payroll Division to develop a payroll system which will better meet the college's needs.

FEE WAIVERS

Statutory Provisions

At the time of our audit the college was granting a number of fee waivers on the basis of specific statutory authority as follows:

Indian Scholarships

Inmate of Certain Custodial Institution Scholarships

War Orphan Scholarships

Exemption of Student Non-Resident Fee

Veterans' Waivers

Resident Senior Citizens

In addition to these fee waivers authorized by statute, the regents authorized the following fee waivers:

High School Honor Scholarships

Advanced Honor Scholarships

Prize Scholarships

Merit Award Scholarships

High School Honor Scholarships for Triplets, Quadruplets, or Quintuplets

Exemption of Fees for Faculty, Graduate Assistants and/or Fellows

In addition to the foregoing, the Board of Regents (board item 5-006-R0774) approved on January 16, 1975, the following fee waivers for athletes:

"Fee Waiver - Athletic Grants-In-Aid - Each unit of the Montana University System is hereby authorized to grant waivers of registration, incidental and non-resident fees to men and women students as athletic grants-in-aid. Such waivers shall be limited in the case of intercollegiate athletics to the number permitted by existing conference or association regulations. The waivers permitted by this section are in addition to any other waivers authorized by this policy and shall not be included in computing limitations on the maximum allowable number of resident or non-resident fee waivers. Each unit of the Montana University System shall provide a report of fee waivers granted under this section at the request of and upon forms provided by the Office of the Commissioner of Higher Education."

The above mentioned fee waiver was approved retroactive to Fall quarter, 1974. Because of the recent implementation of this waiver, we could not practicably determine the annual loss of revenue resulting from it.

The fees waived by the college totaled approximately \$187,000 during fiscal year 1973-74. Approximately fifty percent of this amount was waived by the college without specific statutory authorization.

We noted a similar situation at the University of Montana. Because of Montana's new Constitution questions have been raised regarding whether the legislature or the Board of Regents has authority to waive fees. Because this issue raises questions of a constitutional nature, we have made no recommendations relating to the authority of the college to grant fee waivers. Instead, we are requesting an Attorney General's opinion on this subject.

Control Over Fee Waivers

The college's financial statements show the value of fee waivers in a footnote. Fee waivers or exemptions are not reported as revenue and expenditures in the college's financial statements. To properly account for and control fee waivers, the amount of such remissions should be assessed and reported as revenue and expenditures and appropriately classified as student aid or other related category.

The college's fee waiver records are inaccurate for fiscal year 1973-74 because they do not reflect changes for students' dropping or adding courses. Records kept at the financial aid office differed with records maintained by the registrar and business office. These records should be accurately maintained and reconciled periodically.

RECOMMENDATION

We recommend that the college:

- 1. Report fee waivers as revenue and expenditures in the financial statements.*
- 2. Maintain accurate records of fee waivers.*

INVENTORIES

The college maintains inventory controls for the machine center, bookstore, store supplies, and student union inventories. On June 30, 1974, the college reported inventories of \$137,160 on its financial statements. In addition to these inventories, the college had inventories on hand at the physical plant. These inventories are not accounted for nor reported on the financial statements. The value of the unrecorded assets is estimated by the plant manager to be \$30,000 to \$50,000. Due to the dollar value and types of items involved, the college should establish a perpetual item inventory system and account for supplies at the college physical plant. A system similar to that used in the stores operation would provide effective accounting control over physical plant inventory.

RECOMMENDATION

We recommend that the college devise an inventory system to control supplies at the physical plant and report the inventory value in the financial statements.

PLANT FUNDS

The college does not have acceptable accountability over fixed assets. The balance sheet reflects fixed assets of \$18,103,468; however, Eastern does not have detailed subsidiary property records to support the amount shown. A footnote to the college's financial statements states that no adjustment is made for retirement of plant assets. This indicates that the amount shown on the financial statements is inflated by the original cost of traded, disposed of and obsolete property.

In our 1970 report relating to the college's operations, we recommended that the college establish an adequate system of procedures and records for fixed assets. This has not been accomplished, primarily because college personnel believe that they have higher priorities. They pointed out in their response to our 1970 report that the cost of designing and maintaining a property control system is high, and if the legislature wished to implement a system, they urged that a specific appropriation be made for the purpose, yet they have not requested such an appropriation.

The college did not have records to help locate fixed assets purchased in prior years, and accordingly, we were unable to establish what percentage of college assets have been lost, are obsolete, or have been traded in.

The Department of Health, Education, and Welfare (HEW) has criticized the college for not accounting for movable equipment purchased with Federal assistance moneys. They urged Eastern to establish an equipment inventory. In a similar situation, HEW has disallowed reimbursement for equipment usage at the University of Montana until the university establishes control over fixed assets. Before Federal funds at Eastern are jeopardized, we believe the college should adhere to HEW's request and establish control over fixed assets.

RECOMMENDATION

We recommend that the college establish adequate plant, property and equipment records.

CAREER OPPORTUNITY AND TEACHER CORPS

The Career Opportunity Program (COP) is a training and instructional program funded by the federal government to enable low income teacher aides to become degree-holding certified teachers. Under this program, students are taught courses and receive credits toward a degree. Approximately 50 of these students were included in the college's enrollment figures from which the budgets were prepared for fiscal year 1973-74; however, revenue amounting to over \$100,000 received from the federal government during the year was not included in the appropriations provided by the legislature. Although legislative appropriations for fiscal year 1973-74 were not based entirely on enrollment, it was a factor significant in the appropriation process and in the allocation of additional money by the Board of Regents.

Teacher Corps is a program similar to COP in that it also provides training for teachers in low income or minority areas. Both programs are funded by HEW and the college is reimbursed 108 percent of direct costs. The college received \$221,514 from HEW for Teacher Corps during fiscal year 1973-74. There were 40 interns and seven team leaders enrolled in this program. Accordingly, the legislature is providing money for all the students in these two programs based on the enrollment figures, while at the same time the federal government is paying 108 percent (8% for indirect cost) of the direct costs of training these students. This results in the college being paid by both the state and

the federal government for students in each of the programs. To a certain extent, double payment may be intended as enrichment of the college's program; however, the money should be recognized in the appropriation process.

The college accounted for the indirect cost reimbursements amounting to \$24,225 relating to these programs as restricted income. The purpose of indirect cost reimbursements is to provide for overhead, such as accounting, maintenance of plant, etc., incurred in performing a program. These costs were initially paid by unrestricted money; therefore, the indirect cost reimbursements should be accounted for as unrestricted income.

RECOMMENDATION

We recommend that the college:

- 1. Recognize federal reimbursements in the budgetary process.*
- 2. Report direct cost reimbursements as restricted income in the current fund and report indirect cost reimbursements as unrestricted income.*

SPENDING AUTHORITY

Moneys for the educational and general operation of the college for fiscal years 1973-74 and 1974-75 were provided by legislative appropriation in House Bill No. 55. The legislature line-itemed programs to specify the purpose of the appropriated moneys. The Commissioner of Higher Education approved elimination of or cut certain programs and increased moneys available to others. These changes were made through budget amendments.

Section 82-109(6), R.C.M. 1947, provides that "It shall be the duty of the (state) controller to apply expenditures against cash funds whenever possible before using the general fund appropriation." This was not done because the college did not deposit all of its money in the state treasury. The college had \$411,939 on hand at June 30, 1974 that should have been expended during fiscal year 1973-74 instead of general fund moneys. The following schedule shows the amount by source:

<u>Source</u>	<u>Amount</u>
EMC Earned Revenue carried over at 6/30/73	\$ 97,187
EMC Earned Revenue from 1973-74	78,342
Prior Year Adjustments	601
Administrative Grant Revenue	69,811
Interest Holdings Prior to 7/1/73	148,948
Profit from Educational Department Projects	1,695
Profit from Special Leadership Workshops	14,257
Profit from Administering Tests	<u>1,098</u>
Total Available on June 30, 1974	<u>\$411,939</u>

The college plans to spend this money plus \$280,243 more that it will receive from non-appropriated sources in fiscal year 1974-75. The college's intent to spend this additional amount of \$692,182 is based upon a budget amendment approved by the Budget Office and Commissioner of Higher Education. The following schedule shows changes in fund sources requested by the college and approved by the Budget Office and Commissioner of Higher Education.

<u>Source of Funds</u>	<u>Provided By HB 55</u>	<u>Changes</u>	<u>Approved by Budget Office and Commissioner of Higher Education</u>
General Fund	\$2,422,606*	\$133,584	\$2,556,190
Student Fees	770,000	242,591	1,012,591
Millage	747,877	-0-	747,877
Indirect Costs	60,000	50,599	110,599
Interest Earned	-0-	225,408	225,408
Sales and Services	-0-	20,000	20,000
Land Grant Income	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>
Total	<u>\$4,020,483</u>	<u>\$692,182</u>	<u>\$4,712,665</u>

* Includes \$28,500 from 1974 session appropriations.

In contrast to the foregoing schedule, the following schedule shows the original line-item appropriation by program and other changes approved by the Budget Office and Commissioner of Higher Education.

<u>Program</u>	<u>Provided By HB 55</u>	<u>Changes</u>	<u>Approved by Budget Office and Commissioner of Higher Education</u>
Instruction	\$2,307,415*	\$307,879	\$2,615,294
Public Service	4,000	(2,700)	1,300
Academic Support	373,160*	136,228	509,388
Student Services	183,545	143,888	327,433
Instit. Support	1,152,363	(587,077)	565,286
Physical Plant	<u>-0-</u>	<u>693,964</u>	<u>693,964</u>
Totals	<u>\$4,020,483</u>	<u>\$692,182</u>	<u>\$4,712,665</u>

* Includes \$28,500 from 1974 session appropriations.

This information should have been made available to the legislature for consideration when making the appropriations for fiscal year 1973-74 and 1974-75. The 1975 Legislature, in Chapter 510, Session Laws of 1975, established a Legislative Finance Committee to review and approve budget amendments. This committee, when provided financial information from a centralized accounting system described on page 5 of this report, will ensure legislative review of future budget amendments.

ATHLETIC SCHOLARSHIPS

The college has an account referred to as the "Century Club Scholarship Account" which is used to pay scholarship costs (board and room charges) for selected college basketball students. The account is administered by the director of athletics.

Most of the money deposited to the account is not scholarship money in the sense that it is not derived from outside sources. Rather, it is money deducted by the college from student payroll checks and endorsed back to the college. The students employed by the athletic department work 200 hours at \$2 per hour. Their payroll checks are signed over to

the "Century Club Scholarship Account," and each basketball player signs the following authorization:

PAYROLL DEDUCTION AUTHORIZATION

Date _____

I hereby authorize Eastern Montana College to deduct from my earnings the net amount earned after required deductions for Federal, State and Social Security taxes. The total amount to be deducted over the period of employment is limited to a maximum of \$400.00 (Four Hundred Dollars). This amount is to be applied against money advanced by the Century Club for room and board.

Signature _____

We were advised by athletic department officials that these athletic scholarships were not true scholarships, but rather were advances or loans made without interest by the athletic department from the Century Club Scholarship Account. The advances or loans were subject to repayment when the student/athletes worked for the athletic department.

The rebate or payback of student earnings is specifically prohibited by federal regulations issued pursuant to the Fair Labor Standards Act of 1938. Title 29, U. S. Code of Federal Regulations, Part 531.35, stipulates that wages must be paid free and clear and that where an employee rebates directly or indirectly the whole or part of his wages, such rebates are specifically prohibited.

Consequently, any requirement that student/athletes rebate or pay back part of their earnings as a condition or prerequisite to enrollment or participation is precluded by federal regulations which apply to the college.

Money paid for the students' payroll comes from state appropriated funds. During fiscal year 1973-74, \$2,465 was deposited into the account. Of this amount only \$115 came, in fact, from the Century Club. Basketball students' payroll checks accounted for the remaining \$2,350.

Individual time slips for work are maintained by the athletic department. Time slips indicated in certain instances that the students'

work consisted of sweeping the gym, driving to athletic events and washing practice uniforms. The slips are incomplete and because of that, we have no documentation indicating the hours the students actually worked. Consequently, we confirmed with the athletes the nature and extent of the work performed. Documentation should be established which would readily show the nature of the work, hours worked each day, and both the student's and the supervisor's signatures. To assure that these payments are rendered under proper accounting control, the college should assign accountability for this student employment to the financial aid office.

Only true scholarship donations should be placed in the Century Club Scholarship account. Basketball students can use the deferred fee system for paying board and room charges, and as they receive their payroll checks, they can pay their deferred fees. In this regard, athletes and other students cannot be required, as a condition of employment, to assign or pay their earnings to the college or a scholarship account. The students must be paid directly for services rendered. In addition, the college may want to consider the fact that accountability may be better achieved by having the financial aid officer assign students playing on college teams to areas of student employment other than the athletic department.

RECOMMENDATION

We recommend that the college:

- 1. Put all employment of students with financial aid under the control of the financial aid office.*
- 2. Require students with athletic scholarships to use the same procedure for deferring fees as other students on campus.*
- 3. Improve documentation of work performed by students with athletic scholarships.*

STUDENT BUILDING FEES

Resident students pay two building fees when registering for classes at the college. These fees are set by the regents pursuant to authority provided in Section 75-8503, R.C.M. 1947. The first fee of \$6.00 per quarter for full-time students is applied to the payment of bonds that financed a dormitory, dining facility, and student union building.

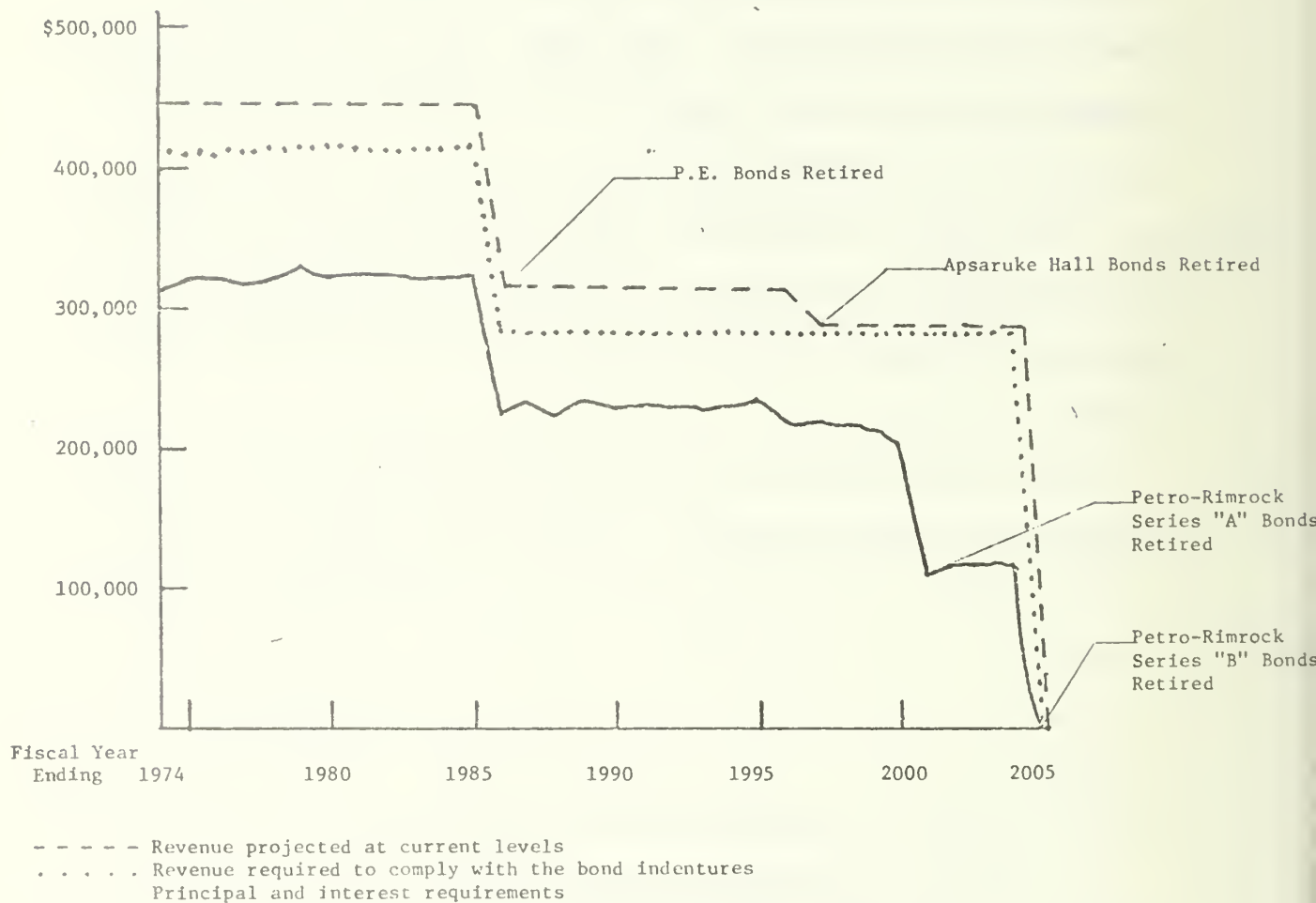
The second building fee of \$20.00 was established by the regents in 1959 to be used for the retirement of Eastern Montana College building fee revenue bonds totaling \$1,300,000, which funded construction of a physical education building. These revenue bonds were refunded in 1965 through the sale of Eastern Montana College building fee revenue bonds, series 1965, totaling \$1,270,000.

Non-resident students pay an additional building fee of \$24.00 per quarter for full-time students. The regents have pledged this revenue to the dormitory, dining facility, and student union building revenue bonds.

The college receives considerable pledged revenue above the amount needed to meet debt requirements. Anticipated revenue far exceeds the amount necessary to pay principal and interest each year, and surplus revenue also exceeds the indenture requirements. On June 30, 1974, revenue bond fund balances totaled \$1,132,230. Yet only \$729,185 was required to be in the bond account on that date. The remaining \$403,045 was in excess of the amount required. The following graph illustrates the difference between revenue pledged from facility operations and student building fees and amounts required to pay interest and principal on outstanding bonds. The graph shows that the surplus in bond accounts will increase during future years. Included in the graph are bond issues outstanding on June 30, 1974, which financed Apsaruke Hall,

Petro-Rimrock Hall, Cisel Hall and the Physical Education Building. The revenue projected is based on the assumption that when each issue is retired, the college will eliminate the related building fee charged to students. The last bonds will be paid off in the year 2004.

EASTERN MONTANA COLLEGE
BOND ACCOUNTS
31 Year Comparison of Expected Revenue
And Debt Service Requirements



The regents have authorized the college to transfer \$37,500 of the surplus money to an account set up to construct a proposed \$75,000 tennis court. The regents have also established a policy which allows them to spend building fees on any campus building or facility. Board of Regents Item 223-001, dated July 10, 1972, and Item 2-016-R1073, dated October 19, 1973, authorize presidents of the six university units to "expend building fees to plan, construct, renovate, equip, maintain, or improve any campus buildings or facilities; . . ."

This policy does not comply with Section 75-8503, R.C.M 1947, which specifically grants the regents authority to spend building fees on certain revenue producing facilities, primarily dealing with student living areas. The law allows the regents to plan and propose financing for other facilities, but the law does not authorize them to expend funds for the facilities. In effect, the regents have authorized the university system to use student building fees to supplement legislative appropriations. As it presently exists, regent policy allows expenditure of building fee money for any lawful purpose of the college.

The issue of whether the legislature may regulate the expenditure of college funds has been a matter of controversy since the enactment of the Montana Constitution on July 1, 1973. An Attorney General Opinion, (36 Opinions of the Attorney General, No. 2, dated January 31, 1975) states that the legislature has constitutional authority to authorize line-item revenue and expenditure for the university system. The full text of the opinion is presented in Appendix I.

RECOMMENDATION

*We recommend that the college comply with the provisions of
Section 75-8503, R.C.M. 1947, by:*

- 1. Spending student building fees for the construction
of revenue-producing facilities only, and*

2. *Seeking legislative approval for all other expenditures of student building fees.*

Investment Income

Because student fees generate revenue in excess of that required to repay the bonds, the building fee fund has a large cash surplus. On June 30, 1974, there was \$1,132,230 in the bond service accounts. The college retained \$446,852 of this amount, and the remainder was held by a trustee. Most of the money held by the college was invested, yielding interest which was not returned to the bond accounts. The interest earned was used for general operation of the college. This money was in excess of that provided by appropriation and is included in the amount described on page 21. The bond trustee held \$685,378, of which \$581,234 was invested with the investment income being deposited to the bond account. All of the investment earnings from bond service accounts should be credited to their respective accounts.

RECOMMENDATION

We recommend that the college deposit all investment income from bond service account moneys to the proper account.

NATIONAL DIRECT STUDENT LOAN PROGRAM

Our review of National Direct Student Loans (NDSL) was limited in scope because the program was audited by other accountants. The other accountants were unable to express an opinion as to the adequacy of the NDSL program's internal control procedures for reasons described below.

The college contracted with the American National Bank & Trust Company of Chicago, Illinois to process loan payments, to maintain loan balance records, and to provide other related information and administrative services. Services included collecting delinquent loan accounts

and providing the college with accounting records that include transaction journals, trial balances of individual accounts, and various statistical data. The accounting documents were maintained by the bank. Cash was transmitted to the college in lump sums without any report or reconciliation to indicate its source by borrower. The college made entries in the general ledger by summary totals. Accordingly, the college did not have control over NDSL moneys, and the college had no assurance that the data processing services were complete and accurate. The bank did not provide the college with an independent audit of the accounting activity.

On June 30, 1974, the college reported NDSL receivables amounting to \$725,549. Of that amount, \$260,777 was for student loans not in repayment status. The remaining \$464,772 was in repayment status. Of that amount, \$102,923, or 22%, was delinquent by more than 120 days. In accordance with the other auditors' recommendations, the college is establishing new procedures to better handle the accounting for the NDSL program.

FINANCIAL STATEMENT REPORTING

The college's June 30, 1974 financial statements are not consistent with the requirements and guidelines prescribed for Colleges and Universities by the American Institute of Certified Public Accountants (Audits of Colleges and Universities, 1973) and the American Council on Education (College and University Business Administration, 1974).

Appropriate changes in the following items would bring the college into closer compliance with generally accepted reporting standards.

1. Encumbrances should be properly identified in notes to the financial statements and differentiated from accounts payable.

2. Fee waiver income and expense should be recognized and disclosed in the statement of current funds revenues, expenditures, and other changes.
3. Indirect cost income should be reported only once as revenue to the college. For fiscal 1973-74 this income was reported twice, in error.
4. An allowance for bad loans receivable should be established.
5. Terminology for various funds should be in accord with CUBA and the AICPA guide.
6. General administrative costs for auxiliary enterprises should be allocated.
7. College work study expenditures should be charged to the area where services were used.
8. Student fees specifically assessed for debt service should be reported as additions to the appropriate plant fund rather than in the current fund.
9. Expenditures reported in current funds should be reported by program rather than object.
10. Administrative cost grants, interest earned holding, rental houses, and administrative cost education should not be included in "Other Self-Supporting Programs."
11. Legal suits filed against the school should be reported in notes to the financial statements.

The college reported revenues and expenditures of programs classified as Restricted Other Sponsored programs, Other Self-Supporting Programs, and Student Aid using the cash basis of accounting. Under this method of accounting, revenues are reported when received and

expenditures are reported when paid. The college's accounts should be maintained and reports prepared on the accrual basis of accounting, which would result in revenues being reported when earned and expenditures when materials are received or services performed.

In addition to these deficiencies, several amounts shown in the financial statements reported on by other auditors do not agree with the college's financial statements. The college should include notes to its financial statements explaining the differences.

RECOMMENDATION

We recommend that the college:

- 1. Revise its reporting practices in accordance with generally accepted reporting standards.*
- 2. Maintain its accounting records using the accrual basis of accounting.*
- 3. Include notes to the financial statements explaining differences between the college's published financial statements and those reported on by its independent accountants.*

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with the President of Eastern Montana College and the Commissioner of Higher Education. The full text of the college's response is included on page 68 of this report.

This is one of seven audit reports on the Montana university system units and the Office of the Commissioner of Higher Education. As is the case with audit reports previously published, some findings and recommendations in the report have system-wide implications. Implementation

of some recommendations should be initiated by the Board of Regents.

Other recommendations require the college's working in cooperation with various state agencies. College officials have indicated that they will work in cooperation with the Board of Regents and other state agencies to resolve these issues.

We wish to express our appreciation to the college's and commissioner's office employees for their cooperation.

FINANCIAL STATEMENTS

EASTERN MONTANA COLLEGE
Notes to Financial Statements
For the Year Ending June 30, 1974

Note 1 - Summary of Significant Accounting Policies

The financial statements for Eastern Montana College have been prepared in accordance with generally accepted accounting principles for colleges and universities as specified by the American Institute of Certified Public Accountants in their 1973 publication "Audits of Colleges and Universities."

The statements reflect the principle of fund accounting--a procedure by which resources for various purposes are classified according to activities or objectives as specified by donors; according to regulations, restrictions or limitations imposed by sources outside the institution; and consistent with policies of the Board of Regents of Higher Education. Each fund is an accounting entity. Separate accounts are maintained to insure that limitations and restrictions placed on a particular fund are properly recorded.

The financial statements indicate revenue, disbursements and changes in fund balances rather than the results of operation.

Fund groups used are Current funds, Loan funds, Plant funds, and Agency funds. Within each fund group, sub-groupings reflect activities of similar programs.

With the exception of programs continuing beyond June 30, 1974, the accrual basis of accounting is used to report revenue and expenditures. The cash basis of accounting is used for reporting continuing programs.

Investments are reported at cost, which approximates market value. Investments are U.S. Treasury Bills and/or Certificates of Bank Deposits. Certificates of Bank Deposits and cash in banks are secured by pledged bank assets as required by Section 79-301 R.C.M., 1947.

Land, buildings and equipment of the institution are recorded at cost at the time of acquisition. Depreciation is not recognized, except for Bookstore operation. Adjustments are not made to asset accounts to reflect losses, trade-ins, dispositions or retirements. Property records are not maintained for specific College assets, and donated assets are reflected at zero cost. College land donated by Billings citizens is not included in the accounting records.

Note 2 - Funds Held By Third Parties

The institution entered into financing agreements to construct revenue-producing facilities. Each agreement specifies that reserves shall be established and maintained with a trustee. At June 30, 1974, \$668,620.50 had been deposited with trustees to be administered in accordance with financing agreements.

Funds appropriated by the State of Montana Legislature are held by the State Treasurer. Institutional obligations incurred for activities funded by appropriation are paid by State of Montana warrants after claims are submitted to the State Department of Administration and approved for payment.

Note 3 - Loans Outstanding

No provision is made for uncollectable loans. Loans made to students through the National Direct Student Loan program (formerly the National Defense Student Loan program) are administered in accordance with regulations established by the United States government. The regulations do not require a reserve for uncollectable loans. At June 30, 1974, loans of \$102,923.00 in repayment status had been delinquent for more than 121 days.

Note 4 - Bonds Payable

The institution financed revenue-producing facilities through the issuance of revenue bonds. The bonds are paid in annual installments varying from \$229,783.00 to \$344,566.00 at interest rates of 2 3/4 percent to 3 3/4 percent. The final installment is due in the year 2004. The bonds are collateralized by trust indentures and by facilities and equipment acquired with bond proceeds. Net revenue from facility operations also is pledged.

A building fee of \$26 per full-time student per quarter is pledged to the operation of two of the four facilities. One-half of income generated by land held in trust by the State of Montana is pledged to the operation of the Dormitory Bonds of 1956 (Apsaruke Hall). Specific details concerning the revenue bond indentures are available in a separate audit report for each indenture.

Note 5 - Retirement Plans

Permanent employees of the institution are covered by one of two State of Montana retirement plans. Instructional employees are members of the Teachers Retirement System, and other employees are members of the Public Employees Retirement System. The employee contributes 5.25 percent and 5.75 percent, respectively, and the employer contributes 5.125 percent and 4.0 percent, respectively. Both plans are controlled by the State of Montana Legislature and an appointed governing board. Employer contributions for the year ending June 30, 1974 totaled \$175,959.00.

Note 6 - Unrecorded Liabilities

The value of unused vacation and unused sick leave accumulated by employees is not recorded as a liability. At June 30, 1974, each permanent employee could accumulate and carry over to the following calendar year 30 working days of vacation credit. Unused vacation leave is purchased at full value from employees upon termination. Upon termination, unused sick leave is purchased from the employee at 25 percent of value.

Note 7 - Educational Foundation at Eastern Montana College

The Educational Foundation at Eastern Montana College is a public corporation controlled by a Board of Directors. The Board of Directors is composed of six private citizens, six faculty of the college and the President of the college. The institution's financial statement does not include the operation of the foundation. Gifts and grants from the foundation are reflected in the institution records as restricted funds.

Note 8 - Inventories

Inventories are reported at market value or cost on the first in - first out basis--whichever is lower.

June 30, 1974

ASSETS

CURRENT FUNDS:

Unrestricted -

Funds Held By State Treasurer

\$ 524,684.61

Cash

146,475.73

Investments, at cost

1,038,495.48

Accounts Receivable

62,748.02

Inventories, at lower of cost (first in,
first out basis) or market

137,159.91

Equipment (less depreciation of \$ 26,055.75)

7,950.66

Deferred Charges

2,888.02

\$ 1,920,402.43

Restricted -

Cash

\$ 14,638.59

Investments, at cost

80,500.00

\$ 95,138.59

Total Current Funds

\$ 2,015,541.02

LOAN FUNDS:

Cash

\$ 20,707.29

Loans Outstanding

725,549.00

Total Loan Funds

\$ 746,256.29

PLANT FUNDS:

Unexpended -

Funds Held By State Treasurer

\$ 248,342.43

Funds Held By Eastern Montana College

79,000.00

\$ 327,342.43

Retirement of Indebtedness -

Funds Held By State Treasurer

\$ 12,499.02

Investments (At Cost)

18,605.20

Deposits with Trustees

668,620.50

\$ 699,724.72

Investment in Plant (Note 1)

Construction in Progress

\$ 1,337.60

Equipment

2,458,325.81

Land & Buildings

15,643,804.18

\$ 18,103,467.59

Total Plant Funds

\$ 19,130,534.74

AGENCY FUNDS:

Cash

\$ 7,150.09

Investments, at cost

178,300.00

Total Agency Funds

\$ 185,450.09

TOTAL ASSETS

\$ 22,077,782.14

(Note 1) All Plant Assets are recorded at net cost. No
adjustment is made for retirement of plant assets.

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:

Unrestricted -

Accounts Payable	\$	369,247.40	
Deferred Revenues		157,433.55	
Deferred Credits		56,434.45	

Fund Balances:

Education & General	\$	309,714.94	
Auxiliary Operations		653,337.56	
Self Supporting Programs		<u>374,234.53</u>	\$ 1,337,287.03
			\$ 1,920,402.43

Restricted -

Fund Balances:

Student Aid	\$	12,333.94	
Other Sponsored Programs		<u>82,804.65</u>	\$ 95,138.59

Total Current Funds

\$ 2,015,541.02

LOAN FUNDS:

Fund Balances -

NDSL Program			\$ <u>746,256.29</u>
--------------	--	--	----------------------

Total Loan Funds

\$ 746,256.29

PLANT FUNDS:

Unexpended -

Fund Balance			\$ 327,342.43
--------------	--	--	---------------

Retirement of Indebtedness

Deferred Revenue	\$	12,499.02	
Fund Balance		<u>687,225.70</u>	699,724.72

Investment in Plant

Bonds Payable	\$	5,077,000.00	
Net Investment in Plant		<u>13,026,467.59</u>	\$ 18,103,467.59

Total Plant Funds

\$ 19,130,534.74

AGENCY FUNDS:

Accounts Payable	\$	1,699.64	
Fund Balance		<u>183,750.45</u>	

Total Agency Funds

\$ 185,450.09

TOTAL LIABILITIES AND FUND BALANCES

\$ 22,077,782.14

CONSOLIDATED CURRENT FUND

STATEMENT OF CHANGE IN FUND BALANCE
For Fiscal Year Ending June 30, 1974

	<u>Total</u>
<u>Revenue</u>	
State Appropriations:	
General Fund	\$ 2,551,529.00
Millage Fund	723,279.00
EMC Earned Revenue	898,341.92
Land Grant	20,000.00
Indirect Cost Recovered	32,816.82
Sales & Services	841,682.29
Rental Income	360,053.59
Building Fees	225,538.56
Union Use Fees	23,572.60
Land Grant Income	20,204.36
Health Service Fees	77,089.25
Transfer from other Current Funds	32,961.27
Governmental Grants & Contracts	840,046.24
State Grants & Contracts	26,683.44
Gifts	39,948.20
Non-Governmental Contracts	36,009.14
Other	14,535.52
Interest Earned on Investments	32,058.31
Student Registration Fees for Spring Courses	<u>172,007.21</u>
Total Revenues	<u>\$ 6,968,356.72</u>
<u>Expenditures</u>	
Personal Services	\$ 4,099,652.24
Operations	1,159,024.89
Capital	219,041.53
Transfer to Other Current Fund Programs	66,053.17
Student Aid	257,565.97
Indirect Cost	39,720.63
Returned to Grantor	11,588.39
Cost of Sales	529,437.86
Mandatory Transfer to Bond Trustee	361,600.56
Transfer to Plant Fund	<u>37,500.00</u>
Total Expenditures	<u>\$ 6,781,185.24</u>
Net Increase (Decrease) in Fund Balance	\$ 187,171.48

<u>Education & General</u>		<u>Student Aid</u>	<u>Self Supporting</u>	
<u>Unrestricted State Appropriations</u>	<u>Restricted Other Sponsored Programs</u>		<u>Auxiliary Enterprises</u>	<u>Other Self Supporting Programs</u>
\$ 2,551,529.00	\$	\$	\$	\$
723,279.00				
898,341.92				
20,000.00				
				32,816.82
			788,585.53	53,096.76
			337,408.09	22,645.50
			225,538.56	
			23,572.60	
			20,204.30	
			77,089.25	
		24,042.07		8,919.20
	662,289.73	175,643.79		2,112.72
	26,310.00			373.44
		39,948.20		
	36,009.14			
	5,518.09	2,416.10		6,601.33
			19,915.18	12,143.13
				172,007.21
<u>\$ 4,193,149.92</u>	<u>\$ 730,126.96</u>	<u>\$ 242,050.16</u>	<u>\$ 1,492,313.57</u>	<u>\$ 310,716.11</u>
\$ 3,306,141.21	\$ 401,097.00	\$	\$ 297,310.51	\$ 95,103.52
558,221.74	210,607.30		275,338.72	114,857.13
116,860.33	34,732.61		37,887.14	29,561.45
				66,053.17
		257,565.97		
	34,318.01	5,402.62		
	11,588.39			
			529,437.86	
			361,600.56	
			37,500.00	
<u>\$ 3,981,223.28</u>	<u>\$ 692,343.31</u>	<u>\$ 262,968.59</u>	<u>\$ 1,539,074.79</u>	<u>\$ 305,575.27</u>
211,926.64	37,783.65	(20,918.43)	(46,761.22)	5,140.84

Schedule I

EDUCATION AND GENERAL REVENUE

UNRESTRICTED STATE APPROPRIATIONS

For the Fiscal Year Ending June 30, 1974

	<u>Appropriated Authority</u>	<u>Amount Realized</u>	<u>Actual Expenditures</u>	<u>Funds Remaining</u>
State of Montana General Fund	\$2,519,554.00	\$2,519,554.00	\$2,385,969.28	\$ 133,584.72
House Bill 747 Adjustment	31,975.00	31,975.00	31,975.00	--
Total General Fund	<u>\$2,551,529.00</u>	<u>\$2,551,529.00</u>	<u>\$2,417,944.28</u>	<u>\$ 133,584.72</u>
State of Montana Millage Fund	\$ 703,679.00	\$ 703,679.00	\$ 703,679.00	--
House Bill 747 Adjustment	19,600.00	19,600.00	19,600.00	--
Total Millage Fund	<u>\$ 723,279.00</u>	<u>\$ 723,279.00</u>	<u>\$ 723,279.00</u>	<u>\$ --</u>
EMC Earned Revenue	<u>\$ 820,000.00</u>	<u>\$ 898,341.92</u>	<u>\$ 820,000.00</u>	<u>\$ 78,341.92</u>
Land Grant Revenue	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ --</u>
TOTAL	<u>\$4,114,808.00</u>	<u>\$4,193,149.92</u>	<u>\$3,981,223.28</u>	<u>\$ 211,926.64</u>

Summary of EMC Earned Revenue:

Item Description

Student Fees(Excluding the value of waivers):

Registration & Incidental Fees	\$ 652,646.05
Non-Resident Fees	65,413.75
Reading Clinic Fees	5,140.00
Audit Fees	1,185.00
Late Fees	2,074.00
Music Fees	2,135.20
Total Student Fees	<u>\$ 728,594.00</u>
Land Grant Income	204.36
Admission Fees	17,178.50
Interest Income	79,665.31
Indirect Cost Income	38,439.46
Sales & Services	18,116.00
Space Rental	5,091.00
Continuing Education (Net Program Gain)	6,972.73
Library Fines	2,064.99
All other Miscellaneous Collections	2,015.57
Total EMC Earned Revenue	<u>\$ 898,341.92</u>

Summary of Funds Held by State Treasurer:

Beginning Balance 7/1/73	\$ 97,187.43
Add: Funds Remaining (Schedule above)	211,926.64
Prior Years Adjustments	600.87
Fund Balances 6/30/74	<u>\$ 309,714.94</u>

EDUCATION AND GENERAL EXPENDITURES

Schedule 11

UNRESTRICTED STATE APPROPRIATIONS
For the Fiscal Year Ending June 30, 1974

	Total	Personal Services	Operations	Capital
<u>Instruction</u>				
Humanities	\$ 572,155.97	\$ 558,318.12	\$ 11,866.70	\$ 1,971.15
Science and Math	385,974.96	363,631.72	14,817.07	7,526.17
Social Science	482,949.88	466,088.26	15,141.62	1,720.00
Elementary & Secondary Education	304,727.56	294,497.23	9,923.93	305.40
Co-ordinator of Indian Culture	5,231.36	3,121.31	2,110.05	--
Health, Physical Education and Recreation	195,124.46	187,673.74	6,589.12	861.60
Institute of Habititative Services	144,369.96	138,573.13	5,796.83	--
Student Teaching	37,272.08	--	37,272.08	--
Summer Session	117,241.11	117,241.11	--	--
1. D.G.E. Program	3,220.07	2,899.29	320.78	--
Total - Instruction	\$ 2,248,267.41	\$ 2,132,043.91	\$ 103,838.18	\$ 12,385.32
<u>Public Service</u>				
Campus School	\$ 1,290.45	--	\$ 1,290.45	--
Total - Public Service	\$ 1,290.45	--	\$ 1,290.45	--
<u>Academic Support</u>				
Academic Vice President	\$ 43,052.35	\$ 34,270.47	\$ 8,781.88	--
Dean of Liberal Arts	34,982.49	33,541.55	1,440.94	--
Dean of Education	43,390.45	39,378.94	4,252.20	(240.69)
Matching Funds	20,000.00	--	20,000.00	--
Audio-Visual	36,936.35	32,104.98	4,084.79	746.58
Library	192,587.61	118,362.76	4,498.23	69,726.62
40% of Data Processing	41,792.52	19,750.39	22,042.13	--
Total - Academic Support	\$ 412,741.77	\$ 277,409.09	\$ 65,100.17	\$ 70,232.51

Education and General Expenditures (Continued)

	<u>Total</u>	<u>Personal Services</u>	<u>Operations</u>	<u>Capital</u>
<u>Student Services</u>				
Student Personnel	\$ 64,775.91	\$ 54,940.08	\$ 9,835.83	\$ --
Athletics	38,972.69	36,871.19	1,766.25	335.25
Counseling Center	37,833.81	35,676.04	2,157.77	--
Placement	10,799.66	8,119.48	2,680.18	--
Total - Student Services	\$ 152,382.07	\$ 135,606.79	\$ 16,440.03	\$ 335.25
<u>Institutional Support</u>				
Presidents Office	\$ 51,845.42	\$ 41,424.44	\$ 10,420.98	\$ --
Post Secondary	3,135.69	--	3,135.69	--
Admissions	37,007.97	29,253.38	7,754.59	--
Registrars Office	67,303.89	50,414.95	16,418.94	470.00
Business Office	153,795.82	134,196.97	18,299.75	1,299.10
Office of Information	41,759.35	33,666.48	8,092.87	--
Memberships	2,346.00	--	2,346.00	--
Faculty Council	335.70	--	335.70	--
Faculty Senate	905.25	905.25	--	--
Affirmative Action	1,041.37	492.55	548.82	--
60% of Data Processing	64,913.37	31,850.15	33,063.22	--
Institutional Support	56,127.76	39,558.04	14,521.72	2,048.00
Central Mail	25,896.93	8,732.46	17,164.47	--
Facility Rental	42,270.00	--	42,270.00	--
Work Study Matching	22,443.41	22,443.41	--	--
State Pro' Rata Plan	22,422.00	--	22,422.00	--
Institutional Capital	18,718.79	--	324.79	18,394.00
Insurance and Municipal Services	6,295.16	--	6,295.16	--
Total - Institutional Support	\$ 618,563.88	\$ 392,938.08	\$ 203,414.70	\$ 22,211.10

Education and General Expenditures (Continued)

	<u>Total</u>	<u>Personal Services</u>	<u>Operations</u>	<u>Capital</u>
<u>Maintenance and Operation of Plant</u>				
Physical Plant	\$ 444,060.67	\$ 361,482.82	\$ 70,881.70	\$ 11,696.15
Utilities	<u>103,917.03</u>	<u>6,660.52</u>	<u>97,256.51</u>	<u>--</u>
Total - Maintenance & Operation of Plant	\$ <u>547,977.70</u>	\$ <u>368,143.34</u>	\$ <u>168,138.21</u>	\$ <u>11,696.15</u>
TOTAL	\$ <u>3,981,223.28</u>	\$ <u>3,306,141.21</u>	\$ <u>558,221.74</u>	\$ <u>116,860.33</u>

EDUCATION AND GENERAL
RESTRICTED OTHER SPONSORED PROGRAMS FUNDS

Schedule III

Statement of Receipts, Disbursements, and Fund Balances
For Fiscal Year Ending June 30, 1974

Grant Name	Beginning Balance 7/1/73	Receipts	Disbursements	Ending Balance 6/30/74
Career Opportunity Program (COP)	\$(22,110.33)	\$105,532.04	\$ 71,785.39	\$ 11,636.32
Emergency Employment Act	(4,832.32)	7,230.91	2,398.59	--
International Education	2,106.12	1,000.00	2,104.00	1,002.12
Montana Indian Youth Practicum	18,812.52	--	18,812.52	--
Indian Youth Conference	42.15	--	42.15	--
Glacier Park Study	179.51	--	1,523.72	(1,344.21)
Law Enforcement Education Program	106.00	6,156.00	6,261.90	10
Library Materials - Criminal Justice	98.08	--	98.08	--
Personnel Classification Study	(44.45)	100.00	55.55	--
Children's Touring Theatre	1,104.64	--	432.59	672.05
Capital Aquisition Radio Station	259.08	1,540.00	1,611.61	187.47
Teacher Corps	(990.92)	221,513.99	210,263.99	10,259.08
Special Services	93.65	56,484.47	49,668.78	6,909.34
Para-Medical Personnel	(75.27)	1,152.86	1,077.59	--
Instructional Materials Center	918.87	--	914.80	4.07
Special Education - In State	26,778.94	22,723.00	22,648.87	26,853.07
Special Education - Out of State	474.20	--	393.23	80.97
Prep. of Pers. In Ed. of Handicapped	(1,082.10)	2,400.00	1,317.90	--
Special Veterans Program	1,419.39	42,080.62	38,445.48	5,054.53
Voc Rehab Counseling	(8,018.78)	30,500.00	20,622.34	1,858.88
Upward Bound	(1,745.11)	86,000.00	91,356.90	(7,102.01)
Pakistan Project	125.90	5,200.00	135.88	5,190.02
Existing Facilities Grant	163.01	--	163.01	--
Library Services to Children	(927.02)	2,175.00	1,247.98	--
Literature for Indian Children	519.58	--	438.86	80.72
Reproductive Physiology Research	956.02	466.00	848.15	573.87
Reference Materials for Libraries	102.65	1,174.99	1,277.64	--
X-Ray Crystallographic Study	8.84	5,500.00	5,624.07	(115.23)
Yellowstone Valley Medical Society	7.20	--	7.20	--
Montana Insurance Co. Gift	5.21	--	5.21	--
Faculty Reasearch	1,785.23	1,600.00	2,363.06	1,022.17
Venture Grant	27,832.27	40,237.03	42,472.81	25,596.49
Teacher Ed. for Pre-School Handicapped	948.24	--	948.24	--
IDGE	--	2,563.06	16,698.22	(14,135.16)
Ground Water Study	--	1,000.00	734.06	265.94
Air and Water Pollution	--	5,060.00	6,167.89	(1,107.89)
Indian Health Service	--	1,600.00	2,889.74	(1,289.74)
Handbook for Elem Guidance	--	250.00	215.75	34.25
Student Research	--	292.00	38.72	253.28
Conoco Research Project	--	2,550.00	2,362.37	187.63
Beartooth Water Quality Study	--	--	150.00	(150.00)
College Library Resources	--	5,000.00	4,998.91	1.09
Beartooth Pryor Raptor Study	--	1,000.00	1,000.00	--
Wyo-Ben Contract	--	2,306.15	1,508.44	797.71
Cooperative Education	--	16,583.65	16,092.95	490.70
Mental Retardation Grant	--	51,155.19	42,118.17	9,037.02
Total	\$ 45,021.00	\$730,126.96	\$692,343.31	\$ 82,804.65

EDUCATION AND GENERAL
RESTRICTED OTHER SPONSORED PROGRAMS FUNDS

Schedule IV

Statement of Change in Fund Balance
For Fiscal Year Ending June 30, 1974

Beginning Fund Balance, June 30, 1973		\$ <u>45,021.00</u>
Additions to Fund Balance:		
Governmental Grants & Contracts		
Federal	\$662,289.73	
State	<u>26,310.00</u>	688,599.72
		5,518.09
Philanthropic Grants & Contracts		20,000.00
Other Grants & Contracts		<u>16,009.14</u>
Total Additions		\$ <u>730,126.96</u>
Deductions from Fund Balance:		
Program Expenditures		
Personal Services	\$401,097.00	
Operations	210,607.30	
Capital	<u>34,732.61</u>	\$646,436.91
Indirect Cost Recovery		34,318.01
Returned to Grantor		<u>11,588.39</u>
Total Deductions		\$ <u>692,343.31</u>
Ending Fund Balance, June 30, 1974		\$ <u>82,804.65</u>

STUDENT AID

Schedule V

Statement of Receipts, Disbursements and Fund Balance
For Fiscal Year Ending June 30, 1974

	Educational Opportunity Grants	College Work Study	Scholarships*	Total
Funds Available, July 1, 1973	\$ 7,612.88	\$ 21,570.04	\$ 4,069.45	\$ 33,252.37
Receipts:				
Federal Grants and Contracts	53,991.79	121,652.00		175,643.79
Matching Funds:				
Appropriated Funds				
All Other	--	24,042.07	--	24,042.07
Off Campus Employers	--	6,406.85	--	6,406.85
Individuals, Organizations, etc.	--	2,416.10	--	2,416.10
Total Receipts	\$ 53,991.79	\$ 154,517.02	\$ 33,541.35	\$ 33,541.35
1-3 Total Funds Available	\$ 61,604.67	\$ 176,087.06	\$ 37,610.80	\$ 275,302.53
Disbursements:				
Program Expenditures	\$ 59,810.67	\$ 164,127.98	\$ 33,627.32	\$ 257,565.97
Indirect Cost Recovery	1,610.00	3,792.62	--	5,402.62
Total Expenditures	\$ 61,420.67	\$ 167,920.60	\$ 33,627.32	\$ 262,968.59
Funds Available, June 30, 1974	\$ 184.00	\$ 8,166.46	\$ 3,983.48	\$ 12,333.94

*Does not include the value of Fee Waivers required by Montana Statutes or Board of Regents Policy. The value of Fee Waivers for 1973-74 is \$187,679.60, including fees not collected because the cost of instruction was paid with restricted funds.

This statement has been prepared on a cash basis method of accounting.

Statement of Change in Fund Balance
For the Fiscal Year Ending June 30, 1974

Schedule VI

Fund Balance, July 1, 1973	\$ 625,194.00
<u>Receipts:</u>	
Transfer from auxiliary enterprises	\$ 361,600.56
Investment Income earned by Trustee	<u>35,972.40</u>
Total Receipts	\$ 397,572.96
<u>Disbursements:</u>	
Bonds Returned	\$ 159,000.00
Interest Paid	<u>176,541.26</u>
Total Disbursements	\$ 335,541.26
Fund Balance, June 30, 1974	<u>\$ 687,225.70</u>

Note:

Eastern Montana College and the Board of Regents have agreed with the Bond holders in the bond indentures to have on deposit with the Bond Trustee the following fund balances:

	Required <u>Balance</u>	Actual <u>Balance</u>
Dormitory Bonds of 1956 (Apsaruke)	\$ 44,160.00	\$ 52,644.46
EMCE Building Fee Revenue		
Bonds Series 1965 (P.E. Bldg.)	183,700.00	263,035.09
EMCE Housing and Dining		
Revenue Bonds of 1964 (Petro-		
Rimrock Hall)	482,988.00	352,939.95
Women's Residence Hall Revenue		
Bond Series 1949 (Cisel)	<u>18,337.50</u>	<u>18,605.20</u>
Total	<u>\$ 729,185.50</u>	<u>\$ 687,224.70</u>

Statement of Receipts, Disbursements and Fund Balances
For Fiscal Year Ending June 30, 1974

	Apsaruke Hall	Petro- Rimrock	Total Residence Halls	Cisel Hall (no.)
<u>Beginning Balance 7/1/73</u>	<u>\$ 63,247.38</u>	<u>\$ 85,128.39</u>	<u>\$148,375.77</u>	<u>\$ 2,455.64</u>
<u>Receipts</u>				
Sales	\$ --	\$383,011.92	\$383,011.92	\$ --
Less Cost of Goods Sold	--	260,851.57	260,851.57	--
Net	\$ --	\$122,160.35	\$122,160.35	--
Room Rental	6,702.42	262,068.61	268,771.03	--
Auxiliary Space Rental	--	39,510.00	39,510.00	26,139.42
Auxiliary Food Service	--	13,353.34	13,353.34	--
Building Fee	--	59,235.46	59,235.46	--
Interest Earned	4,865.67	7,759.96	12,625.63	1,333.30
Misc. Sales & Service	542.30	1,961.29	2,503.59	255.25
Land Grant Income	20,204.36	--	20,204.36	--
Health Service Fee	--	--	--	--
Union Use Fee	--	--	--	--
Total Revenues	<u>\$ 32,314.75</u>	<u>\$506,049.01</u>	<u>\$538,363.76</u>	<u>\$ 27,727.97</u>
<u>Disbursements</u>				
Program Expenditures:				
Personal Services	\$ 8,514.44	\$ 93,407.69	\$101,922.13	\$ 32.07
Operations	5,093.98	152,347.24	157,441.22	5,163.90
Capital	360.00	6,935.82	7,295.82	--
Total Program Expenditures	<u>\$ 16,768.42</u>	<u>\$252,690.75</u>	<u>\$266,659.17</u>	<u>\$ 5,195.97</u>
Mandatory Transfer to				
Bond Indenture	--	--	--	--
Trustee	\$ 10,258.00	\$255,337.36	\$265,595.36	\$ 16,598.95
Transfer to Plant Fund	--	--	--	--
Total Expenditures	<u>\$ 24,226.42</u>	<u>\$508,028.11</u>	<u>\$532,254.53</u>	<u>\$ 21,794.92</u>
Change in Fund Balance (decrease)	<u>\$ 8,088.33</u>	<u>\$ (1,979.10)</u>	<u>\$ 6,109.23</u>	<u>\$ 5,933.05</u>
Ending Fund Balance 6/30/74	<u>\$ 71,335.71</u>	<u>\$ 83,149.29</u>	<u>\$154,485.00</u>	<u>\$ 8,388.69</u>

(1) Commencing 7/1/73 Cisel Hall became an Administrative Building

Schedule VII

<u>P.E. Building</u>	<u>Student Union</u>	<u>Health Services</u>	<u>Union Use Fee</u>	<u>Machines Center</u>	<u>Bookstore</u>	<u>Totals</u>
<u>\$335,006.15</u>	<u>\$ 2,793.41</u>	<u>\$ 40,127.58</u>	<u>\$ --</u>	<u>\$ 6,346.19</u>	<u>\$164,994.04</u>	<u>\$700,098.78</u>
\$ --	\$ 72,430.43	\$ --	\$ --	\$ 26,256.35	\$284,664.44	\$766,363.14
--	48,986.94	--	--	--	219,599.35	529,437.86
<u>\$ --</u>	<u>\$ 23,443.49</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,256.35</u>	<u>\$ 65,065.09</u>	<u>\$236,925.28</u>
--	--	--	--	--	--	268,771.03
--	2,987.64	--	--	--	--	68,637.06
--	--	--	--	--	--	13,353.34
166,303.10	--	--	--	--	--	255,538.56
--	--	2,570.53	--	--	3,385.72	19,915.18
346.62	1,019.23	709.20	--	--	4,035.16	8,869.05
--	--	--	--	--	--	20,204.36
--	--	77,089.25	--	--	--	77,089.25
--	--	--	23,572.60	--	--	23,572.60
<u>\$166,649.72</u>	<u>\$ 27,450.36</u>	<u>\$ 80,368.98</u>	<u>\$ 23,572.60</u>	<u>\$ 26,256.35</u>	<u>\$ 72,485.97</u>	<u>\$962,875.71</u>
\$ 43,577.13	\$ 29,086.63	\$ 57,244.35	\$ 18,127.80	\$ 12,590.87	\$ 34,729.53	\$297,310.51
43,830.59	8,783.15	17,559.33	2,423.53	9,445.06	30,691.94	275,338.72
28,975.14	621.18	--	--	995.00	--	37,887.14
<u>\$116,382.86</u>	<u>\$ 38,490.96</u>	<u>\$ 74,803.68</u>	<u>\$ 20,551.33</u>	<u>\$ 23,030.93</u>	<u>\$ 65,421.47</u>	<u>\$610,536.37</u>
--	--	--	--	--	--	--
\$ 79,406.25	--	--	--	--	--	\$361,600.56
37,500.00	--	--	--	--	--	37,500.00
<u>\$233,289.11</u>	<u>\$ 38,490.96</u>	<u>\$ 74,803.68</u>	<u>\$ 20,551.33</u>	<u>\$ 23,030.93</u>	<u>\$ 65,421.47</u>	<u>1,009,636.43</u>
<u>\$(66,639.39)</u>	<u>\$(11,040.60)</u>	<u>\$ 5,565.30</u>	<u>\$ 3,021.27</u>	<u>\$ 3,225.42</u>	<u>\$ 7,064.50</u>	<u>\$(46,761.22)</u>
<u>\$268,366.76</u>	<u>\$ (8,247.19)</u>	<u>\$ 45,692.88</u>	<u>\$ 3,021.27</u>	<u>\$ 9,571.61</u>	<u>\$172,058.54</u>	<u>\$653,337.56</u>

OTHER SELF-SUPPORTING PROGRAMS

Statement of Receipts, Disbursements and Fund Balances
For Fiscal Year Ending June 30, 1974

<u>Program</u>	<u>Beginning Balance 7/1/73</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/74</u>
Administrative Cost Grants	\$ 89,416.51	\$ 32,816.82	\$ 52,423.31	\$ 69,810.02
Discretionary Fund	31,721.66	36.21	31,757.87	--
Exploring the World	6,902.12	382.00	7,300.07	(15.95)
Fine Arts Festival	941.33	620.00	1,487.50	73.83
Interest Earned Holding	137,876.86	11,071.53	--	148,948.39
Union Holding	11,398.53	2,071.60	848.00	12,622.13
Continuing Education	6,972.73	79,332.60	57,922.82	28,382.51
Biology Dept. Lab Service	16.93	368.00	--	384.93
Biology Field Station	841.11	--	561.74	302.37
Counselling Center Vet. Admin.	3,376.18	1,632.72	--	5,008.90
Concessions	--	7,135.16	6,057.35	1,077.81
Student Pers. Admin. Costs	1.55	--	1.55	--
Ed. Dept. Admin. Costs	3,660.67	990.59	2,956.32	1,694.94
Educational Research	815.29	400.00	612.45	602.84
Film Library	809.79	1,278.76	1,418.39	670.16
Fundeo	5,217.28	7,021.00	7,106.42	5,131.86
I.D. Equipment	1,340.48	--	74.00	1,266.48
High School Speech Inst.	4.67	--	--	4.67
Intermediate Algebra	690.24	--	690.24	--
Campus School Kindergarten	675.23	13,638.71	12,731.78	1,582.16
Library Gift Fund	305.55	50.33	50.33	305.55
Outdoor Education	(737.28)	2,372.00	1,406.59	228.13
Summer Dance Workshop	565.41	8,481.88	9,047.29	--
Golf	796.02	2,016.00	1,600.00	1,212.02
Horsemanship	680.00	320.00	1,000.00	--
Ski Class	915.82	13,924.00	14,112.82	727.00
Photography 293	--	680.00	731.77	(51.77)

Other Self-Supporting Programs (Continued)

Program (continued)	Beginning Balance <u>7/1/73</u>	Receipts	Disbursements	Ending Balance <u>6/30/74</u>
JR 293	\$ --	\$ 670.40	\$ 670.05	\$.35
Special Leadership Workshop	17,249.22	1,885.99	4,878.25	14,256.96
Reading Clinic Summer 1972	324.00	--	--	324.00
Early Childhood Education	(17.22)	2,516.00	2,498.78	--
Testscor	1,098.33	--	--	1,098.33
State Special Ed. Program Dev.	--	721.25	721.25	--
Law & Consumer	--	3,366.00	3,366.00	--
Creativity Workshop	--	1,771.00	1,771.00	--
Investigative Experience	--	1,573.12	1,573.12	--
Early Childhood Conf.	--	3,211.00	1,010.71	2,200.29
Open Education	--	9,408.00	2,392.63	7,015.37
Environmental Economics	--	1,877.00	738.00	1,139.00
Teaching of Writing	--	1,197.00	1,395.24	(198.24)
Creative Approach	--	4,232.00	3,555.24	676.76
Organization & Admin. Safety	--	640.00	1,290.61	(650.61)
Motorcycle Safety	--	--	5.00	(5.00)
China Relations	--	3,452.00	595.27	2,856.73
Residence Hall Improvements	5,146.18	6,579.07	926.50	10,798.75
349 Rimrock	--	295.84	295.84	--
2602 Normal	--	318.82	318.82	--
2516 Normal	1,790.51	2,450.00	542.01	3,698.50
2522 Normal	--	1,475.00	34.60	1,440.40
Footie Property	--	720.00	609.84	110.16
7 Pryor Avenue	1,118.68	1,175.00	254.34	2,039.34
6 Valley Drive	1,756.57	2,100.00	150.44	3,706.13
406 Marbara Lane	2,057.76	2,700.00	140.91	4,616.85
405 Marbara Lane	1,788.74	1,800.00	178.03	3,410.71
425 Marbara Lane	2,572.35	2,700.00	62.44	5,209.91

Other Self-Supporting Programs (Continued)

<u>Program (continued)</u>	<u>Beginning Balance 7/1/73</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/74</u>
9 Pryor	\$ 1,833.19	\$ 2,175.50	\$ 1,616.79	\$ 2,391.90
2630 Normal	399.95	2,973.44	272.42	3,100.97
324 North Rim	100.00	2,350.00	50.94	2,399.06
Copy Room	13,899.05	21,519.54	23,635.34	11,783.25
Motor Pool	5,558.66	14,549.73	17,151.83	2,956.56
Parking Lots	6,679.45	21,673.50	20,463.83	7,889.12
Admin. Cost Ed.	510.59	--	510.59	--
TOTAL	\$ 369,093.69	\$ 310,716.11	\$ 305,575.27	\$ 374,234.53

Other Self-Supporting Programs (Continued)

	<u>Receipts</u>	<u>Disbursements</u>
--	-----------------	----------------------

Receipts Consisted Of:

Student Fees	\$ 172,007.21	
Indirect Cost Recovery	32,816.82	
Interest Earnings	12,143.13	
Sales & Service	53,096.76	
Rent of Equipment & Facilities	22,645.50	
Federal Government	2,112.72	
State of Montana	373.44	
Miscellaneous	6,601.33	
Transfers In	8,919.20	
Total	<u>\$ 310,716.11</u>	

Transfers In From:

Self Supporting Activities	\$ 7,919.20
Other Sponsored Programs	<u>1,000.00</u>
	<u>\$ 8,919.00</u>

Disbursements Consisted Of:

Personal Services	\$ 95,103.52
Operations	114,857.13
Capital	29,561.45
Transfers Out	66,053.17
Total	<u>\$ 305,575.27</u>

Transfers Out to:

Self Supporting Activities	\$ 7,919.20
Auxiliary Enterprises	1,662.50
Current State Unrestricted Funds	33,384.27
Current Restricted	22,485.65
Current Unrestricted	601.55
	<u>\$ 66,053.17</u>

UNEXPENDED PLANT FUNDS

Statement of Receipts, Disbursements and Fund Balances

As of June 30, 1974

	Fund Balance <u>7/1/73</u>	<u>Receipts</u>		<u>Disbursements</u>	<u>Reverted</u>	Fund Balance <u>6/30/74</u>
		<u>Source</u>	<u>Amount</u>			
Special Education Building	\$ 7,243.94	--	\$ --	\$ 7.00	\$ 7,236.94	\$ --
Renovations & Land Acquisitions	86,636.35		--	85,532.35	--	1,104.00
Renovations, Site Development, and Land Acquisition	--	Long Range Building Program	380,000.00	162,761.57	--	217,238.43
Preplanning Science Building	--	Long Range Building Program	30,000.00	--	--	30,000.00
Tennis Court Construction	--	Local Funds	75,000.00	--	--	75,000.00
Coffee House Remodeling	--	Local Funds	4,000.00	--	--	4,000.00
TOTAL	\$ 93,880.29		\$489,000.00	\$248,300.92	\$ 7,236.94	\$327,342.43

NET INVESTMENT IN PLANT

Schedule X

Statement of Change in Fund Balance
For the Fiscal Year Ending June 30, 1974

Balance, July 1, 1973 \$ 12,397,133.14

Additions:

Current Funds	\$ 219,041.53
Unexpended Plant Funds	1,337.60
Funds for Retirement of	
Indebtedness	159,000.00
Long Range Building Program	246,963.32
Prior Year Adjustment	<u>2,992.00</u>

Total Additions \$ 629,334.45

Balance, June 30, 1974 \$ 13,026,467.59

Statement of Receipts and Disbursements
For Fiscal Year Ending June 30, 1974

	Fiscal Year Ending June 30, 1974	Operation Since Program Inception
Cash in Bank, Beginning of Period	\$ 71,879.99	\$ --
<u>Receipts:</u>		
Interest Income	10,313.81	57,828.03
Miscellaneous Income	211.18	211.18
Federal Contributions	14,843.00	870,779.00
Institutional Contributions	4,596.56	100,332.56
Total Receipts	\$ 29,964.55	\$ 1,029,150.77
<u>Disbursements:</u>		
Program Expenditures:		
Loans Made	\$ 132,576.00	\$ 1,244,813.99
Less: Loans Collected	\$ 60,951.89	\$ 297,383.00
Loans Cancelled		
Teaching Service	\$ 35,282.73	\$ 214,977.36
Death	398.75	3,613.75
Bankruptcy	300.00	3,256.50
Military	34.38	34.38
Total Loans Cancelled	\$ 36,015.86	\$ 211,881.99
Total Loans Collected & Cancelled	\$ 96,967.75	\$ 519,264.99
Net Loans Outstanding	\$ 35,608.25	\$ 725,549.00
Cost of Loans Cancelled:		
Teaching Service	\$ 40,173.38	\$ 243,631.13
Death	398.75	3,613.75
Bankruptcy	315.30	3,271.80
Military	42.63	42.63
Total Cost of Loans Cancelled	\$ 40,930.06	\$ 250,559.31
Administrative Expense	\$ 4,598.94	\$ 32,335.17
Total Expenditures	\$ 81,137.25	\$ 1,008,443.48
Cash in Bank, June 30, 1974	\$ 20,707.29	\$ 20,707.29

Statement of Change in Fund Balance
For Fiscal Year Ending June 20, 1974

	Fiscal Year Ending June 30, 1974	Since Program Inception
Beginning Fund Balance	\$ 761,820.74	\$ --
<u>Receipts:</u>		
Federal Contributions	\$ 14,843.00	\$ 870,779.00
Institutional Contributions	4,596.56	110,332.56
Interest Earned	<u>10,524.99</u>	<u>58,039.21</u>
Total Receipts	\$ 29,964.55	\$ 1,029,150.77
<u>Disbursements</u>		
Cost of Loans Cancelled	\$ 40,930.06	\$ 250,559.31
Administrative Expense	<u>4,598.94</u>	<u>32,335.17</u>
Total Disbursements	\$ 45,529.00	\$ 282,894.48
Ending Fund Balance	<u>\$ 746,256.29</u>	<u>\$ 746,256.29</u>

APPENDICES



ROBERT L. WOODAHL
ATTORNEY GENERAL

State of Montana
Office of The Attorney General
STATE CAPITOL
HELENA, MONTANA 59601

RECEIVED

FEB 03 1975

MONTANA LEGISLATIVE AUDITOR

VOLUME NO. 36

Opinion No. 2

APPROPRIATIONS - Bills, university system; APPROPRIATIONS - Limitations, university system; CONSTITUTIONAL LAW - Appropriations, university system; CONSTITUTIONAL LAW - Investments, university system; CONSTITUTIONAL LAW - Public funds, fiscal control; EDUCATIONAL INSTITUTIONS - Appropriations, terms and conditions; EDUCATIONAL INSTITUTIONS - Employees, benefits; EDUCATIONAL INSTITUTIONS - Investments, public funds; INVESTMENTS - University systems; LEGISLATURE - Appropriations; LEGISLATURE - Powers; STATE - Funds, appropriation of; STATE BOARD OF EDUCATION - Powers, investments; STATE TREASURER - Funds, custodian of; UNIVERSITY SYSTEM - Appropriations, limitations; UNIVERSITY SYSTEM - Employees, benefits; UNIVERSITY SYSTEM - Funds, deposit of; UNIVERSITY SYSTEM - Funds, investment of. Article III, section 1; Article VIII, sections 12 and 13; Article X, sections 9 and 10; Constitution of Montana (1972); sections 59-1001, 59-1007, 79-201, 79-301, 79-306, and 82A-204, R.C.M. 1947.

HELD: 1. The provisions of sections 79-308 and 82A-204, R.C.M. 1947, relating to the investment of state moneys are applicable to the board of regents of higher education and the separate units of the Montana university system.

January 31, 1975

2. The provisions of section 59-1001, et seq., R.C.M. 1947, relating to employee benefits and vacation leave are applicable to employees of the separate units of the Montana university system except those persons who would qualify as "school teachers" under the provisions of section 59-1007, R.C.M. 1947.

3. The provisions of section 79-306, R.C.M. 1947, designating the state treasurer as the treasurer of every state agency and institution and requiring the daily deposit of all moneys, credits, evidences of indebtedness, and securities, either in financial institutions designated by the state treasurer or with the state treasurer, are applicable to the board of regents and the separate units of the Montana university system and the public funds under their control and supervision.

4. The line-item appropriations and conditions attached thereto contained in House Bill 55, Montana Session Laws of 1973, are constitutionally permissible and binding on the board of regents of higher education and the separate units of the Montana university system.

January 31, 1975

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

You have requested my opinion on the following questions:

"Are the board of regents and the separate units of the Montana university system required to comply with legislative enactments and administrative regulations in the following areas:

- (1) Investment of state moneys under the provisions of sections 79-308 and 82A-204, R.C.M. 1947.
- (2) Employee benefits and vacation leave under the provision of section 59-1001, R.C.M. 1947.
- (3) Fiscal control and deposit of revenues in the state treasury under the provisions of section 79-306, R.C.M. 1947.
- (4) Appropriations, either line-item or by program, which were authorized by the passage of House Bill No. 55, Montana Session Laws of 1973."

Question 1: Montana's Constitution, Article X, section 9 (1972), provides for a board of regents of higher education which is one of two boards that make up the state board of education. Subsection (2) of Article X, section 9, provides in part:

"(2)(a) The government and control of the Montana university system is vested in a board of regents of higher education which shall have full power, responsibility, and authority to supervise, coordinate, manage and control the Montana university system and shall supervise and coordinate other public educational institutions assigned by law.

* * *

(d) The funds and appropriations under the control of the board of regents are subject to the same audit provisions as are all other state funds."

The powers and duties of the board of regents of higher education, hereinafter referred to as "Regents", are more specifically defined in chapters 81 and 84 through 83 of Title 75, R.C.M. 1947.

The investment of state university funds is governed by two separate articles of Montana's constitution. Article X, section 10, provides, in part:

"... The various funds (of the Montana university system) shall be respectively invested under such regulations as may be provided by law,..."
(Emphasis supplied)

Article VIII, section 13, provides, in part:

"(1) The legislature shall provide for a unified investment program for public funds and provide rules therefor,..." (Emphasis supplied)

"(2) ... (T)he permanent funds of the Montana university system and all other state institutions of learning shall be safely and conservatively invested in:

(a) Public securities of the state, its subdivisions, local government units, and districts within the state, or

(b) Bonds of the United States or other securities fully guaranteed as to principal and interest by the United States, or

(c) Such other safe investments bearing a fixed rate of interest as may be provided by law." (Emphasis supplied)

The legislature has provided for a unified investment program for public funds. Section 82A-204, R.C.M. 1947, creates a board of investments and specifically provides, in part:

"(4) The board of investments has the sole authority to invest state funds. No other agency may invest state funds. ..."

Section 79-301, et seq., R.C.M. 1947, defines the manner in which state funds shall be deposited with the state treasurer and invested by the board of investments.

Both Article X, section 10, and Article VIII, section 13, mandate that funds of the Montana university system shall be invested in a unified investment program which is to be established by the legislature. The legislature has established such a program under the provisions of sections 82A-204 and 79-301, et seq., R.C.M. 1947.

It further appears that it was the intent of the 1972 Constitutional Convention to require that the funds of the university system be invested as provided for by the legislature and that the provision of Article VIII, section 13, would

govern such funds. At page 6585, Transcript of Proceedings, Montana Constitutional Convention (1972), Delegate Champoux stated to Chairman Graybill that the investment of university system funds had:

"...already been taken care of in the Revenue and Finance article under investments,..."

Thus, it is abundantly clear that the provisions of sections 82A-204 and 79-301, et seq., R.C.M. 1947, apply to the investment of state funds under the control and supervision of the Regents and the separate units of the Montana university system.

Question 2: You have next asked whether the provisions of section 59-1001, R.C.M. 1947, relating to employee benefits and vacation leave, apply to the Regents and the separate units of the Montana university system.

The context in which this question arises is House Bill 55, Montana Session Laws (1973). House Bill 55 was an act of the legislature appropriating moneys to various state agencies, including the Regents and the various units of the Montana university system.

Section 14, House Bill 55, provided:

"The provisions set forth in this section are limitations on the appropriations made in this act,... . It is the purpose of the legislature in enacting this bill only to appropriate funds and to restrict and limit by its provisions the amount and conditions under which the appropriations can be expended. Except as otherwise provided in this act, the expenditures of appropriations are hereby subject to the following general and specific provisions:

(1) All expenditures of funds appropriated by this act for purpose of travel, transportation, and vacation and sick leave are subject to the provisions of the law expressed in title 59, R.C.M. 1947."

Title 59, chapter 10, R.C.M. 1947, governs leaves of absence for state employees except as provided for in section 59-1007, R.C.M. 1947. Section 59-1007, supra, specifically

excludes "school teachers" from the provisions of title 59, chapter 10, supra, and the Montana Supreme Court has indicated that the term "school teacher" as used in section 59-1007, supra:

"...refers to those teaching at district schools as well as in the state's system of higher education." Teamsters, etc. v. Cascade County School Dist. No. 1, Mont. _____, 511 P.2d 339, 341 (1973)
(Emphasis supplied)

Thus, I would conclude that the limitation placed on appropriations to the Regents and the separate units of the Montana university system contained in section 14, House Bill 55, are applicable to all state employees except those faculty members who are teaching in the state's system of higher education and who would qualify as "school teachers" under the provisions of section 59-1007, supra.

Question 3: Your next question asks whether the Regents and the separate units of the Montana university system must comply with legislative enactments regarding fiscal control, particularly, section 79-306, R.C.M. 1947, which requires the deposit of all revenue in the state treasury.

The Constitution of Montana, Article VIII, section 12 (1972), provides:

"The legislature shall by law insure strict accountability of all revenue received and money spent by the state and counties, cities, towns, and all other local governmental entities." (Emphasis supplied)

The legislature has designated the state treasurer in section 79-201, R.C.M. 1947, as the:

"...custodian of all moneys and securities of the state unless otherwise expressly provided by law, and it is the duty of the state treasurer:

1. To receive and account for all moneys belonging to the state, not expressly required by law to be received and kept by some other person." (Emphasis supplied)

Section 79-306, R.C.M. 1947, further provides:

"(1) The state treasurer is designated the treasurer of every state agency and institution.

(2) All state agencies and institutions shall deposit daily all moneys, credits, evidences of indebtedness, and securities either in banks, building and loan associations or savings and loan associations located in the city or town in which the agencies and institutions are situated if there is a qualified bank, building and loan association or savings and loan association in the city or town as designated by the state treasurer with the approval of the board of investments, or with the state treasurer. ..." (Emphasis supplied)

It is apparent that the legislature is the constitutionally appointed branch of state government responsible to account for state funds and that it has designated the state treasurer as the custodian of those funds. A systematic depository procedure has been established under the provisions of section 79-306, supra, which requires "all state agencies and institutions" to deposit their daily receipts in a banking facility "designated by the state treasurer--or with the state treasurer". In either case, the state treasurer will have a record or will be able to procure one from an independent source of the daily cash flow experienced by any particular state agency or institution.

It should be noted that Article VIII, section 12, refers to "all revenue"; that section 79-201, supra, refers to "all moneys"; and that section 79-306, supra, refers to "all state agencies and institutions" and "all moneys". The only funds or agencies exempt from these provisions are those which are expressly declared to be by the constitution or legislative enactment. No such express exemption exists for state funds in the hands of the Regents or the separate units of the Montana university system. Therefore, I conclude that the provisions of section 79-306, R.C.M. 1947, designating the state treasurer as the treasurer of every state agency and institution and requiring the daily deposit of all moneys, credits,

evidences of indebtedness, and securities, either in financial institutions designated by the state treasurer or with the state treasurer, are applicable to the Regents and the separate units of the Montana university system and the public funds under their control and supervision.

Question 4: Finally, you have asked whether the Regents and the separate units of the Montana university system must comply with the program appropriations and conditions set forth in House Bill 55, Montana Session Laws of 1973.

House Bill 55 is an act appropriating moneys to various state agencies within the Department of Education for the biennium ending June 30, 1975. Sections 1 through 15 of House Bill 55 contain, inter alia, terms and conditions attached to the specific appropriations.

For instance, section 7 provides:

"Transfer of appropriated funds between programs of an agency may be made only by an approved budget amendment."

Section 13 provides, in part:

UNIVERSITY OF MONTANA

	Fiscal Year ending <u>6/30/74</u>	Fiscal Year ending <u>6/30/75</u>
<u>Programs:</u>		
Instruction	8,782,034	9,105,579
Organized Research	173,527	182,695
Public Service	97,455	102,613
Academic Support	1,662,797	1,736,275
Student Services	475,094	492,381
Institutional Support	3,131,835	3,287,675
from general fund	7,981,109	8,411,235
from earmarked revenue funds:		
student fees account	3,560,000	3,560,000
university mill. account	2,225,513	2,365,373
from other treasury funds	556,115	570,615

As you have indicated to me, the real thrust of your inquiry is whether the legislature may appropriate moneys to the university system by program and restrict the transfer of those moneys between separate programs, as well as separate units of the university system. This question arises due to the rather broad language contained in Article X, section 9, Constitution of Montana (1972), which provides, in part:

"(2)(a) The government and control of the Montana university system is vested in a board of regents of higher education which shall have full power, responsibility, and authority to supervise, coordinate, manage and control the Montana university system..."
(Emphasis supplied)

Does the "full power, responsibility and authority" granted the board of regents preempt the legislature's authority to line-item appropriations by programs and attach conditions thereto? As far as House Bill 55 is concerned, absolutely not.

Montana's Constitution, Article III, section 1 (1972), divides the "power of the government" into three distinct branches - legislative, executive, and judicial. The Montana Supreme Court has consistently held that the power of the legislature is plenary, except as limited by the United States Constitution, the treaties made, and statutes enacted pursuant thereof, and by the Constitution of Montana. Goodell v. Judith Basin County, et al., 79 Mont. 222, 224 P. 1116 (1924), State ex rel. Evans v. Stewart, et al., 53 Mont. 13, 161 P. 309 (1916).

Furthermore, the power of the legislature will not be deemed to be circumscribed by mere implication. Goodell, supra, at 228.

"He who seeks to limit the power of the lawmakers must be able to point out the particular provision of the Constitution which contains the limitation expressed in no uncertain terms." Evans, supra, at 25.

And so it is with the problem at hand. If the legislature's power and authority to appropriate state moneys by program and line-item and to attach conditions on the expenditure of those funds has been preempted, then such a limitation must appear in no uncertain terms in Montana's Constitution.

No such specific limitation appears in the Education and Public Lands article of the Constitution.

Other jurisdictions have entertained similar and related questions. The state of Michigan is regarded by some authorities in the field of higher education to have a board of regents with the most extensive powers and authority of any such board in the United States. L. Glenny and T. Dalglish, Public Universities, State Agencies, and the Law: Constitutional Autonomy in Decline (1973) Yet, even Michigan has affirmed the authority of the legislature over appropriations.

"The legislature may put certain conditions on money it appropriates for the University which are binding if the Regents accept the money." Sprick v. Regents of University of Michigan, 204 N.W.2d 62, 67 (Mich. 1972)

Absent an intrusion into those areas which distinctly and uniquely belong under the jurisdiction of the Regents, line-item appropriations and conditions attached thereto such as those contained in House Bill 55 are constitutionally permissible. By this holding, not only is the separation of powers principle preserved, but also the duty of the legislature to strictly account for all moneys spent by the state is secured.

THEREFORE, IT IS MY OPINION that:

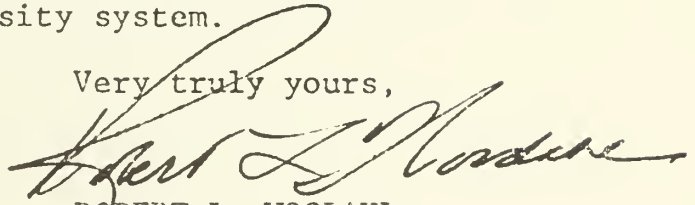
1. The provisions of sections 79-308 and 82A-204, R.C.M. 1947, relating to the investment of state moneys are applicable to the board of regents of higher education and the separate units of the Montana university system.
2. The provisions of section 59-1001, et seq., R.C.M. 1947, relating to employee benefits and vacation leave are applicable to employees of the separate units of the Montana university system except those persons who would qualify as "school teachers" under the provisions of section 59-1007, R.C.M. 1947.

January 31, 1975

3. The provisions of section 79-306, R.C.M. 1947, designating the state treasurer as the treasurer of every state agency and institution and requiring the daily deposit of all moneys, credits, evidences of indebtedness, and securities, either in financial institutions designated by the state treasurer or with the state treasurer, are applicable to the board of regents and the separate units of the Montana university system and the public funds under their control and supervision.

4. The line-item appropriations and conditions attached thereto contained in House Bill 55, Montana Session Laws of 1973, are constitutionally permissible and binding on the board of regents of higher education and the separate units of the Montana university system.

Very truly yours,



ROBERT L. WOODAHL
Attorney General

RLW:ce

AGENCY REPLY



Eastern Montana College

BILLINGS, MONTANA 59101

Office of the President

June 12, 1975

JUN 13 1975

JUN 13 1975

MON. LEGISLATIVE AUDITOR

Mr. Morris Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

Enclosed is the reply of Eastern Montana College to your "Report on Audit" for the fiscal year ended June 30, 1974.

I appreciate your willingness to include our reply with your audit recommendations. The combination of both documents into a single report will undoubtedly be more meaningful to the reader.

Cordially,

A handwritten signature in dark ink, appearing to read "Stanley J. Heywood", with a stylized flourish at the end.

Stanley J. Heywood
President

SJH/jd

cc: Dr. Lawrence K. Pettit, Commissioner of Higher Education
Mr. Kenneth W. Heikes, Business Manager
encl.

RECEIVED

JUN 13 1975

MONTANA LEGISLATIVE AUDITOR

STATE OF MONTANA

EASTERN MONTANA COLLEGE

REPLY TO REPORT ON AUDIT

Fiscal Year Ended June 30, 1974

INTRODUCTION

Attached are responses of Eastern Montana College to the Report on Examination of Financial Statements for the Fiscal Year Ended June 30, 1974. For the most part, Eastern Montana College concurs with the recommendations made by the Office of the Legislative Auditor and we wish to compliment them for their courtesy to our staff and for the helpful hints they provided during the course of the examination.

The comments on the following pages endeavor to answer each recommendation made by the Legislative Auditor.

Audit Recommendation

We recommend that the college utilize the investment services of the Board of Investments.

Discussion of the Recommendation

In general, we concur that the college should utilize the services of the Board of Investments; however, we have concerns regarding our revenue bond indentures. Our investments must be general obligations of the United States or securities which are guaranteed by an agency of the Federal Government. We understand that STIP does provide investments which are completely insured by an agency of the Federal Government and we will endeavor to place those investments in STIP providing the trustee of the bond indenture concurs with this recommendation.

As our regular investments have matured we have been reinvesting those moneys in STIP and we now have more than \$900,000 invested in STIP.

Audit Recommendations

We recommend that the college:

1. Require all payments received on behalf of the college, especially for student housing, be made directly to the business office whenever practicable.
2. Discontinue the practice of cashing employee checks except at the business office.
3. Require departments receiving cash items to place restrictive endorsements on all checks received and make timely cash deposits.

Discussion of the Recommendations

1. We concur with the recommendation that all payments received on behalf of the college, especially for student housing, be made directly to the business office. However, at this time we are limited by physical space and insufficient personnel. We may be able to accommodate a portion of this recommendation by reshuffling personnel and existing office space.

2. We agree to discontinue the practice of cashing employee checks except at the business office.

3. Departments receiving checks have been instructed to restrictively endorse the check when it is received and to make timely deposits. This policy has been in existence at Eastern for several years but due to limits of staff, especially internal audit personnel, some of the practices have not been implicitly followed and/or maintained.

Audit Recommendation

We recommend that the college work with the Department of Administration to devise a system for depositing all money on hand into the state treasury and make deposits on a timely basis thereafter.

Discussion of the Recommendation

It appears that this recommendation is standard in all of the Legislative Audit Reports and that the appropriate spokesman for this recommendation should be the Commissioner of Higher Education. It is our understanding that the Commissioner's Office will prepare such a response.

Audit Recommendation

We recommend that the college determine the proper use of administrative charges for deferred fees.

Discussion of the Recommendation

Charges for deferred fees will be deposited with the state treasury as earned revenue, and uncollectible accounts will be charged off in the appropriate manner as established by the Statewide Budgeting and Accounting System.

Audit Recommendations

We recommend that the college:

1. Centralize the accounting for accounts receivable at the business office.
2. Seek the aid of the Department of Revenue's collection service for delinquent accounts receivable.

Discussion of the Recommendations

1. We concur that the accounting for accounts receivable for the entire college should be centralized in the business office of the college. However, due to lack of physical space, personnel and computer capacity we have been unable to implement this program.

2. During the past year we have sought the aid of the Department of Revenue's collection service for delinquent accounts and have been willing to work with them. It has not been until recent weeks, however, that a representative of the Department of Revenue asked for specific information so that our accounts could be transferred to them for collection.

Audit Recommendation

We recommend that the college work with the Department of Administration and the Central Payroll Division to develop a payroll system which will better meet the college's needs.

Discussion of the Recommendation

We wholeheartedly concur that the college should work with the Department of Administration and Central Payroll Division in order to develop a system to meet the college's needs. For several years we have attempted to work with these offices to secure permission to write our own payroll warrants. We have been unsuccessful in receiving permission. Currently, we process the data source cards, prepare all of the payroll deduction lists and, in fact, are within approximately 30 minutes of completing the entire payroll operation. However, after the cards are punched and other information is recorded, we must shut down the payroll operation, transmit the information to the Department of Administration in Helena. The Department then

uses our source information to prepare the payroll warrants. The payroll warrants are signed in the State Auditor's Office and returned to us. Eastern completes the payroll process and disperses the warrants. The turnaround time to Helena takes from 4 to 7 days and delays payment to the employee. We were especially pleased with the Legislative Auditor's discussion with us concerning our payroll procedures and wish to do whatever is necessary to obtain the authority to write our own payroll warrants and disperse them without delay.

Audit Recommendations

We recommend that the college:

1. Report fee waivers as revenue and expenditures in the financial statements.
2. Maintain accurate records of fee waivers.

Discussion of the Recommendations

1. We concur that fee waivers should be reported as revenue and expenditures in the financial statements, and the budget presentation prepared for the 1975 Legislature incorporates these items in the budgetary process.
2. We concur that accurate records of fee waivers must be maintained.

Audit Recommendation

We recommend that the college devise an inventory system to control supplies at the physical plant and report the inventory value in the financial statements.

Discussion of the Recommendation

We concur that inventory systems need to be implemented over all kinds of "stores" items whether they be located in the physical plant or in other campus areas. At this time, when the college is suffering from lack of personnel to do many necessary functions, it is difficult to justify the expenditure of hiring a person to control from \$30-50,000 worth of inventory. Another consideration is our limited physical plant space which prohibits effective "stores" management. The 1971 Legislature authorized funds for the preplanning of a physical plant complex to be located at Eastern Montana College. This preplanning was completed in December 1972,

and requests have been made through the Regents to the Long Range Building Program in 1973 and 1975 for a physical plant facility which would incorporate areas for shipping, receiving and stores. Until such time as a central facility is constructed we will continue to live with a fragmented operation wherein offices, store rooms, shop space, etc. are located in several buildings of the campus.

Audit Recommendation

We recommend that the college establish adequate plant, property and equipment records.

Discussion of the Recommendation

Eastern acknowledges that an accurate physical inventory of assets and the proper identification, tagging, costing, and reporting is an integral part of any record keeping system. However, a comprehensive inventory system is costly to initiate and is worthless unless adequately maintained. We can cite several examples where thousands of dollars have been expended with less than satisfactory results, including the example of the college which, so the story goes, expended nearly \$50,000 per year to prove that they were losing only \$10,000 worth of physical assets per year.

At Eastern the highly movable equipment, i.e., audio visual and scientific apparatus, is tagged and logged as to whom has the equipment, where it is located, and when it is to be returned. These items of equipment, we believe, are adequately controlled.

Other equipment on the campus is assigned to the various departments. While many of these departments maintain detailed records, no centralized records are maintained.

Audit Recommendations

We recommend that the college:

1. Recognize federal reimbursements in the budgetary process.
2. Report direct cost reimbursements as restricted income in the current fund and report indirect cost reimbursements as unrestricted income.

Discussion of the Recommendations

We concur with the recommendations and for the budget presentation for the 1975 Legislature these reimbursements were included as part of the budgetary process.

Audit Recommendations

We recommend that the college:

1. Put all employment of students with financial aid under the control of the financial aid office.
2. Require students with athletic scholarships to use the same procedure for deferring fees as other students on campus.
3. Improve documentation of work performed by students with athletic scholarships.

Discussion of the Recommendations

The college concurs with the recommendations and will endeavor to improve documentation of work performed by all students.

Audit Recommendations

We recommend that the college comply with the provisions of Section 75-8503, R.C.M. 1947, by:

1. Spending student building fees for the construction of revenue-producing facilities only, and
2. Seeking legislative approval for all other expenditures of student building fees.

Discussion of the Recommendations

It appears that these recommendations are common in several Audit Reports and should appropriately be answered by the Office of Commissioner of Higher Education. It is our understanding that the Commissioner's Office is preparing a response.

Audit Recommendation

We recommend that the college deposit all investment income from bond service account moneys to the proper account.

Discussion of the Recommendation

We concur with the recommendation.

Audit Recommendations

We recommend that the college:

1. Revise its reporting practices in accordance with generally accepted reporting standards.
2. Maintain its accounting records using the accrual basis of accounting.
3. Include notes to the financial statements explaining differences between the college's published financial statements and those reported on by its independent accountants.

Discussion of the Recommendations

It appears that these recommendations are common in several Audit Reports and should appropriately be answered by the Office of Commissioner of Higher Education. It is our understanding that the Commissioner's Office is preparing a response.

